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NEWS SUMMARY

GENERAL

Thorpe case decision likely

Magistrates hearing the Jeremy Thorpe case at Minehead are likely to announce today whether all or any of the four defendants, charged with conspiracy to murder Norman Scott, should go for trial. The court adjourned at lunchtime yesterday after hearing final submissions from the defence and prosecution.

Mr. Peter Taylor, for the prosecution, claimed that Mr. Mr. Thorpe had tried to interfere with the course of justice on several occasions, including a "muffled threat" against Mr. Nadir Dinshaw.

Sanctions vote could be close

Tonight's Commons vote on Government sanctions against companies that defy the 5 per cent pay guideline could be extremely close, Richard Evans writes. This follows the tabling last night of a Conservative amendment aimed at attracting maximum support from all minority parties.
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Sadat 'ready for new talks'

President Sadat of Egypt is understood to be prepared to conclude peace negotiations with Israel without further delay, President Carter said in Washington. This follows "significant progress" made by U.S. Secretary of State Cyrus Vance in talks with the Egyptian President.
Page 4

Times talks today

Times Newspapers management and union leaders meet this afternoon for the first time since the company suspended publication almost two weeks ago.
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Institute vote

The Institute of Directors council voted 37 to nil with three abstentions, to endorse the decision of its policy and executive committee in reorganising the institute's administration. Mr. Jan Hildreth, director-general, has opposed diminution of his responsibilities and has said that if the council vote went against him, he would resign. Page 6

Rhodesia raid

Rhodesia lost an estimated $9m-worth of fuel when black nationalist raiders attacked a Salisbury oil storage depot. Eleven tanks were believed destroyed. Both wings of the Patriotic Front alliance claimed responsibility. Page 3

Detainees freed

Kenya President Daniel Arap Moi has ordered all those held in political detention under the late President Jomo Kenyatta to be released.

Meir is buried

Mrs. Golda Meir was buried on Mt. Herzl, just outside Jerusalem, among Israel's most honoured leaders.

Sand for Jordan

Lacrew of Longton, Stoke-on-Trent, has won a contract to supply sand to the Middle East. The order, for a Jordanian soft-drink company's filtration plant, is part of a £250,000 contract.

Briefly . . .

Geoff Boycott has been passed over as captain for the England touring side's one-day match against Western Australian Country, set for today.

Earthquake shook a wide area of Mindanao, Southern Philippines. Romania's eastern Vrancea region was hit by its second earth tremour in 24 hours.

Poster condemning China's Cultural Revolution has appeared on Peking's "democracy wall." Page 3

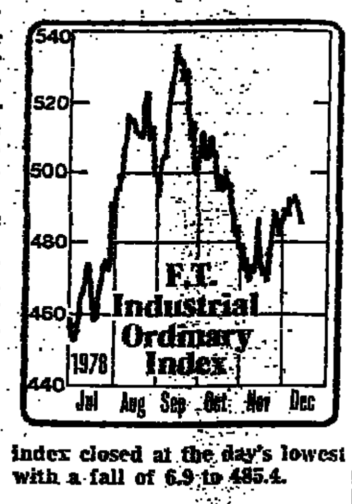
Mediation team headed by San Salvador Archbishop Oscar Arnulfo Romero has opened talks with guerrillas holding four foreign businessmen.

Communist Party officials from 73 countries met in Sofia, for talks on ideology and foreign policy.

BUSINESS

Equities down 6.9; Gilts case

● EQUITIES fell in slow business and the F.T. Ordinary



index closed at the day's lowest with a fall of 6.9 to 485.4.

● GILTS eased with falls of up to ¼. The Government Securities index fell 0.13 to 68.88.

● STERLING fell 45 points to $1.9730 but its trade-weighted index remained unchanged at 63.2. The dollar's depreciation narrowed to 8.5 per cent (8.6).

● GOLD fell $5¼ to $202¾ in London.

● WALL STREET was 1.99 down at 815.66 just before the close.

● LLOYD'S of London is forming a working party to examine its own self-regulatory powers. Back Page

● CITY institutions are to be asked by the Government whether British companies should be required by law to appoint non-executive directors and American-style audit committees. Page 10

● BALFOUR BEATTY, part of the BICC group, has won a £100m contract for an electrical transmission system in Hong Kong. Back Page

● ICI plans to raise its basic petrochemical prices by as much as 50 per cent to try to counteract the effect of rising feedstock costs on profits. Back Page

● TESCO is taking over the controlling interest in Ireland of "3 Guys" discount grocery stores belonging to Mr. Albert Gubay, controversial founder of the Kwiksave discount grocery group. Back Page

● POST OFFICE will show a substantial profit at the end of the financial year, in line with Government targets, following a half-year profit of £170.2m on an income of £2.2bn. Page 6

● STRATHEARN AUDIO, the loss-making Belfast hi-fi company established by the Government five years ago is to close with a loss of 180 jobs as the Government has said it can no longer fund the operation. Page 6

● MICHELIN has withdrawn its pay offer, worth about 9 per cent to 8,000 workers following their unions' refusal to accept changes in working practices. Page 10

● EMPLOYERS and trade unions now believe that difficult industrial relations problems, including union recognition cases, could not be solved by the courts, ACAS has told an Appeal Court. Page 10

● VOSPER, the privately-owned shipbuilding company left out of nationalisation plans last year, is to form a subsidiary, Vosper International, to help developing countries build warships. Page 8

COMPANIES

● TRAFALGAR HOUSE, whose interests include Cunard shipping and the Daily Express newspaper, expanded pre-tax profit by £14.22m to a record £80.63m in the year to September 30. Page 32 and Lex

● REDFEARN National Glass reports a sharp drop in the second half, taking pretax profits for the year to October 1 down from £4.59m to £3.9m. Page 34.

● STANDARD CHARTERED Bank reports an 8 per cent rise in pre-tax profits to £67.2m for the half year to September 30. Page 32 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Alginate	305	+ 50	Excheq. 12pc '99-02	£94⅞	— ¼
Barker and Dobson	15	+ 3	Beecham	624	— 11
Beechwood Construct.	32	+ 3	GKN	253	— 7
Borthwick (T.)	73	+ 5	Imperial Group	84	— 2
Chapman (Balham)	93	+ 8	Laurence Scott	93	— 11
Latham (J.)	125	+ 5	Lucas Inds.	302	— 8
Plaxton's	118	+ 6	MK Electric	217	— 6
Sharpe (W. N.)	157	+ 7	P and O Dfd.	81	— 3
Stanley (A. G.)	183	+ 5	Pyke (W. J.)	65	— 5
Charter Cons.	141	+ 7	Racal Elect.	353	— 7
Minorco	160	+ 6	Tube Invs.	382	— 8
Selection Trust	474	+ 34	De Beers Dfd.	354	— 10
Yukon Cons.	165	+ 25	Westfield Minerals	365	— 10

Italy joins EMS on January 1 despite opposition

BY PAUL BETTS IN ROME

Sig. Giulio Andreotti, the Italian Prime Minister, said yesterday that Italy would become a full member of the European Monetary System (EMS) on January 1. He thus sets his minority Christian Democrat administration on a collision course with the powerful Communist Party upon whose support it depends for survival.

Opening a key parliamentary debate on EMS after a Cabinet meeting, Sig. Andreotti said that earlier in the day he had been given a promise of "full solidarity" by Herr Helmut Schmidt, the West German Chancellor. But to the anger of the Communists, who form an integral part of the present Italian governing majority, he gave no details of any specific concessions from Bonn.

Sig. Andreotti claimed that Italy had obtained most of the terms it sought for EMS membership at the European Council in Brussels when he had asked for a week to make up his mind.

He said that Italy would be able to negotiate certain controversial aspects of monetary union, mainly greater transfer of resources and an increase in the European regional fund, over the next six months.

Immediate Italian membership represented "an act of faith," and was "coherent with Italy's current attempts to reduce inflation and lay the basis for stable growth in coming years."

He also recalled Italy's success in stabilising the lira during the past two years and the remarkable improvement in the balance of payments.

In spite of the reluctance of the Italian monetary authorities to take the country immediately into the EMS and the firm opposition of the Communists, Sig. Andreotti's decision reflects the strong pressures of his own ruling party for immediate entry.

These pressures were exacerbated by the small but influential Republican Party announcing that it was withdrawing its support to the Government because of Italy's hesitation over joining the EMS.

The Christian Democrats, the Republicans, and the Social Democrats all welcomed Sig. Andreotti's statement. But the Communists and the Socialists, who have been calling for the country's gradual entry into the system, expressed deep and menacing misgivings.

The Socialists have called a meeting of all parties supporting the minority administration, which is to be held this morning, and indicated that they would probably abstain in the vote at the end of the parliamentary debate later today.

After a top-level party meeting, the Communists, clearly surprised by Sig. Andreotti's speech, condemned the decision. However, it is still unclear whether they will vote against the Government or abstain like the Socialists.

The Communists and Socialists favour the political principle of European monetary union, but are opposed on technical grounds to immediate Italian membership.

In the last few days, Sig. Andreotti held an intensive round of consultations with party leaders and the monetary authorities in an attempt to win the general consensus of the parties over the issue and avert the threat of a Government crisis.

However, the opposition of the Communists and Socialists to immediate entry and the hard line of the Republicans and a vociferous faction of the Christian Democrats in favour of instant membership posed a

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Guadeloupe summit idea inspired by Carter

BY REGINALD DALE

THE DECISION to call next month's four-power Guadeloupe summit was inspired by President Jimmy Carter, and not, as has hitherto been supposed, by President Valery Giscard d'Estaing of France, who issued the formal invitations.

U.S. officials in Washington yesterday confirmed that the meeting between the leaders of the U.S., West Germany, France and the UK was set up by Mr. Zbigniew Brzezinski, President Carter's national security adviser, during a little-publicised trip to Europe in early October.

After visiting Paris and Bonn, Mr. Brzezinski met Mr. James Callaghan, the Prime Minister, at the Labour Party Conference in Blackpool.

President Carter's main aim in covening the private talks on January 4 and 5 is to discuss the highly sensitive issue of Western in the light of bilateral strategic arsm liimtation negotiations between Washington and Moscow.

The conclusion of a SALT 2 agreement is likely in the near future, and Washington, therefore, wants West European governments to start giving serious thought to the next round of negotiations, SALT 3.

The imminence of a SALT 2 agreement was confirmed yesterday in a joint U.S.-Soviet announcement that Mr. Cyrus Vance, the U.S. State Secretary, and Mr. Andrie Gromyko, the Soviet Foreign Minister, are to meet in Geneva on December 21 and 22 to try to conclude a final deal.

SALT 2 concerns only intercontinental weapons based in the U.S. and the Soviet Union, but SALT 3 is intended to include for the first time European theatre nuclear forces.

President Giscard d'Estaing is anxious to participate in preparatory discussions on SALT 3, in spite of France's traditionally independent posture on defence—particularly nuclear defence—policies.

The problem has been to draw France into the discussions without provoking a major outcry from the Gaullists and other traditionalists in Paris.

The issue is particularly sensitive as Moscow wants both French and British nuclear deterrents included in SALT 3 negotiations. Even if London and Paris refuse to place their deterrents on the bargaining table, Moscow has made it clear that it will still count them as factors in the overall European nuclear equation that will be under consideration in SALT 3.

Continued on Back Page

Public sector protest planned

BY PAULINE CLARK, LABOUR STAFF

LEADERS OF 1.5m public sector workers ranging from dustmen to ambulance drivers will today finalise plans for a national one-day strike over Government pay policy on January 22.

The four unions involved yesterday promised "the biggest public sector trade union demonstration since the war," after roundly rejecting a 5 per cent pay offer to 1.1m local authority manual workers.

Local authority employers had offered an £86m package providing basic rate increases of between 1.6 per cent to 7.5 per cent with a minimum earnings guarantee of £47.70 at the lowest level to £56.85 at the highest for a 40-hour week.

The strike plan, formally announced yesterday, will mark the start of the first joint national campaign of selective industrial action to be organised by public sector unions.

Some 250,000 hospital porters and other health workers are included in the plans, as are waterworks' staff. Britain's 420,000 nurses and midwives are also prepared to join in, so the Government could be faced by the combined weight of some 2m workers against the 5 per cent pay guideline.

Unions representing the hospital workers rejected an offer within the guidelines last week, and the nurses' unions in a telegram to the Prime Minister yesterday, expressed increasing frustration over lack of progress on their claim to be treated as a special case.

The determination of the unions to use low pay in the public sector as their main reason for outright battle with the Government has been marked by the early involvement of their general secretaries.

Mr. David Basnett, of the General and Municipal Workers Union, Mr. Alan Fisher, of the National Union of Public Employees, Mr. Moss Evans, of the Transport and General Workers Union and Mr. Albert Spanswick, of the Confederation of Health Service Employees, are all expected to take part personally today in drawing up plans for the one-day strike.

The day of demonstrations will give the unions some gauge to measure the strength of feeling among their members. It could also give the Government and the public some taste of the action likely to follow.

The unions plan to keep ambulance, hospital and other "life and death" services going on the day of protest, but widespread inconvenience could be felt. School meals services may be seriously disrupted as well as refuse collection and other local authority services.

Close sanctions vote likely Back Page

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Strikes force Iran to buy oil

By Simon Henderson and Andrew Whitley

TEHRAN—Iran has entered the oil market to buy petrol and kerosene because anti-Shah strikes in the country's oilfields have reduced stocks to a level where serious shortages look possible.

All Iran's major oilfields are affected by strikes and most of the country's refineries, except the biggest at Abadan, are disrupted.

Crude oil production is again down to 1.3m barrels a day, barely a fifth of the normal output at this time of year. For the past two days exports were only 600,000 barrels—about half a normal supertanker load.

A strike at the important Gachsaran field started on Saturday and by Sunday had stopped production. The refineries at Tabriz and Shiraz are now shut. Each normally produces 80,000 barrels a day. The Tehran refinery is only producing half its 220,000 barrels a day capacity.

Iran normally has stocks of about 25 days' refined fuel but these ran down during previous disruptions and the need to buy supplies on the international market is now critical. One oil expert claims it may be too late to prevent shortages.

This latest blow to the Shah's efforts to restore stability coincides with outbreaks of violence in several provincial towns, including the country's second biggest Isfahan, which has a large foreign population.

Yesterday's trouble was centred on Isfahan, the town which had been most severely disrupted by countrywide anti-Shah marches on Sunday and Monday. The army moved in on Monday night to disperse rioters who rampaged through the city burning 17 banks, seven cinemas and several municipal offices.

The crowd had been broken up by army trucks charging down the street resulting in nine deaths, said officials. Yesterday soldiers were breaking the windscreens of cars which carried photographs of the exiled religious leader, Ayatullah Khomeini as well as smashing car headlights if switched on in a common anti-Shah protest. Shops which remained closed as part of the strike were shot at by troops.

Unlike the previous day's trouble, there are believed to have been no deaths

● The Prime Minister told the Commons yesterday that he would not advise the Queen to go ahead with her visit to Iran next February if conditions there were as bad as they are at present.

A Buckingham Palace spokesman commented: "The Queen is advised by her ministers on these occasions. Until such advice is received the visit goes ahead."

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The plight of Western companies in Iran—Page 4

RICHARDSON TELLS GOVERNMENT..

Manufacturing industry needs priority

BY KENNETH GOODING

IN A major speech about industrial policies Mr. Gordon Richardson, Governor of the Bank of England, called last night for the Government to give priority to providing the right environment for recovery of manufacturing industry.

He said that this would often require political courage. For example, "commitment to industrial revival would include readiness to trim the demands of the public sector if these seem likely to crowd out business needs.

"It would also include readiness to adjust the balance of taxation to increase personal incentives, and thus promote a climate more favourable to initiative and enterprise and to the willingness to work for a better living," he said at the annual dinner of the Society of Motor Manufacturers and Traders.

Unrealistic

Mr. Richardson insisted that it was unrealistic to hope that the service industries could be expanded to take the place of manufacturing.

"We cannot assume that services will generate output and jobs on a scale sufficient to offset fully the decline in manufacturing, the effects of which are now only being masked by the bonus of North Sea oil.

"What we plainly must do is use the breathing space that this bonus affords us to arrest and reverse our industrial decline."

The chief contribution that Government could make towards reversing "the de-industrialisation of Britain" would involve "providing as far as possible" a stable economic environment.

"This means that the aim must be that inflation is controlled and progressively reduced. Without a firm grip here no other worthwhile objectives are likely to be attainable."

Taking a determinedly optimistic viewpoint, Mr. Richardson said there were many areas where UK industry was performing well and in which British companies were world leaders.

But the biggest single obstacle to "the release of the industrial energy from resources that are already in place" was "the adversary spirit, rather than a sense of common purpose and involvement, which seems to emerge in the conduct of so much of our industrial relations.

"This, with its harmful consequences for productivity, surely lies somewhere close to the heart of our industrial problem."

The task of management and trade unionists alike must be to recognise and acknowledge that they had a common purpose in promoting the success of the enterprise which employs them.

"Their energies should not be dispersed in struggles between themselves in a war without an enemy but combined in the common purpose of winning the competitive struggle against our rivals.

"The adversary spirit where it exists will only dissolve if this common purpose can take its place."

Sir Barrie Heath, president of the society, also concentrated much of his speech on industrial relations. He said the motor industry was bedevilled by a "strike-first-and-talk-later" attitude.

There had been over 900 stoppages in vehicle-manufacturing companies in 1978 leading to an estimated loss of production of nearly £1bn. Almost all stoppages, he said, were unofficial or unconstitutional, often against the advice of the unions or ignoring mutually-agreed disputes procedures.

But he made it clear that he did not want to create the impression that every company in the industry suffered from strikes.

"I believe that pay settlements are falling into a pattern that can benefit the recipients only if stoppages end in 1979. Then money would mean something, and our industry could lead the war against inflation."

Sir Barrie denied suggestions that the decline of the motor industry was inevitable.

Ingredients

The individual ingredients for a successful industry were all there. There was good management, inventiveness, no shortage of investment funds, and employees capable of performing any objective required of them.

"The rewards for industrial peace and improved productivity are enormous. There would be security of employment for those at present in jobs, and new job opportunities for people out of work.

"And we would be able to create new wealth. Increased penetration of our home market and export markets would generate for this country higher export earnings and a lower

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£ in New York

—	Dec. 11	Previous
Spot	$1.9810-9820	$1.9630-9640
1 month	0.42-0.36 dis	0.38-0.30 dis
3 months	1.04-0.98 dis	1.17-1.09 dis
12 months	3.92-3.75 dis	4.10-3.90 dis

EUROPEAN NEWS

Austria's socialists paper the cracks

BY PAUL LENDVAI

THE AUSTRIAN Socialist Party has escaped by the skin of its teeth a crisis that would have split the leadership and paved the way for the almost certain defeat of Dr. Bruno Kreisky's government in the general election next October.

But the last-minute compromise reached in the dispute about the business affairs of Dr. Hannes Androsch, the Deputy Chancellor and Minister of Finance, does not alter the fact that the battle for the succession to Dr. Kreisky has caused tensions within the party that may yet cost its majority in Parliament.

Dr. Kreisky will be 68 next month: he is unlikely to want to fight another election after that of 1979.

Under the arrangements agreed, Dr. Androsch offered to transfer his 51 per cent holding in a chartered accountancy firm, called Consultatio, to a trustee to be nominated not by him but by the Chamber of Chartered Accountants and Solicitors. In exchange, he retained his position as the deputy of Chancellor Kreisky, conforming with the existing rules governing the compatibility of public function and private business.

Yet the affair is bound to remain an unresolved issue as far as the opposition is concerned. Dr. Josef Taus, leader of the People's Party and a former banker, expressed a widely held view when he said: "What is at issue is the fact that someone, who inherits a small office and then becomes Finance Minister a few years later, has one of the largest chartered accountancy firms in Austria."

The Socialists claim that the time has come to tighten the regulations concerning MPs in general and also members of provincial governments who have accountancy firms or building companies.

Attacks on businessmen and well-to-do doctors or entrepreneurs in the main opposition party are clearly intended to divert attention from the Androsch affair and to stave off further criticism. The Socialist Party will soon present a Bill intended to tighten regulations concerning the double incomes of politicians and possible conflict of interest between their public duties and private business holdings.

It was the monthly publication of the People's Party which last summer accused the Finance Minister of indirectly profiting from his position as Minister and majority owner of a thriving chartered accountancy firm.

Barely 40 years old, Dr. Androsch has already been Finance Minister far longer than anyone this century in Austria. Able, goodlooking and a longtime favourite of Dr. Kreisky, he was well placed to become the next Socialist leader.

Yet somehow success appears to have been too much for the young man who was promoted by Dr. Kreisky to Vice-Chancellor over the heads of more senior figures, and to a deputy chairmanship of the Socialist Party.

Two years ago, Dr. Androsch made a bid to become president of the central bank. That led to a barely concealed alienation between the Chancellor and his favourite who owed everything to his protection.

Most Austrian commentators point out that the reasons for this latest and potentially most serious crisis in the Austrian Socialist Party since 1965 must be found in the sphere of personalities.

When the opposition launched its attacks on Dr. Androsch, the Chancellor remained silent and later hinted that he had not known the dimensions of the business success of the Minister's firm.

No one suggested that the Minister himself was guilty of anything improper. Time and again, he countered that everybody, including the Chancellor, knew about his profession and his firm. Commentators repeatedly pointed out that the issue was the moral dilemma of being both the supreme tax collector and retaining what by Austrian standards is a large firm of tax advisers.

Austrian newspapers have commented that Dr. Androsch emerged the real victor because he remains in the Government due to the support of Herr Anton Beyna, the powerful president of the Trade Union Federation, and some provincial party organisations. But this view may be premature.

The way in which the clique around the Minister manipulated part of the Press reporting against the Chancellor and that the real attacks of the non-Socialist Press, and particularly of the opposition, were directed against the Chancellor are unlikely to be forgotten by many Socialists.

The Socialist Party is nevertheless in serious trouble. After its disappointing performance in Vienna in the municipal elections, the defeat in the nuclear referendum, and the public row between Dr. Kreisky and his deputy, the chances are slim indeed that it may secure another absolute majority. Some Socialists secretly fear that they may even cease to be the largest party in Parliament next October.

EEC Council rejects budget boost

BY GILES MERRITT

LUXEMBOURG — The European Parliament and the EEC Finance Council clashed here yesterday over the size of the Community's 1979 budget. It is now almost certain that a safety net scheme to assure budgetary commitments will be brought into force next year. Until the budget wrangle is resolved, Community spending will be pegged to around 1978 levels under the "one-twelfth" system of monthly averaging.

The disagreement centres around the Parliament's demands that the regional fund should be boosted in 1979 by more than 80 per cent over this year's level of £365m. The Council has made it plain that it will not agree to raise the regional fund's commitments to £692m, although it had intimated that it might consider an increase in the Parliament's "margin of manoeuvre," which would add about £120m to the 1978 figure.

Other ways of making minor increases were examined by the Council meeting last night, but it has become clear that the Council will make a formal declaration to Parliament today that it cannot accept any sizeable increase in the budget.

The European Parliament, in a mood of unaccustomed defiance, is backing its budget committee's stance on enlarging the regional fund. Using a legal technicality—that the Finance Council did not reject the Parliamentary amendments by a qualified majority when it had the chance at its November 20 meeting in Brussels—the Parliament is insisting that the full £8.737m budget must stand.

The conflict over the 1979 budget chiefly reflects the different views on Community financing held by member governments and European MPs. But yesterday the disagreement, an annual event since 1975, took on a new dimension with the news of the Italian Government's decision to join the European Monetary System (EMS).

Much of the transfer of resources from the richer EEC countries to the weaker ones which were reluctant to join the EMS was originally to go through the regional fund, and the current disagreement over the size of the fund has coincided uncomfortably with Italy's move. Indications are, however, that the Finance Council wishes to keep the two issues separate.

Attitudes harden as W. German steel strike enters third week

BY JONATHAN CARR

BONN — The strike in the West German steel industry entered its third week yesterday with no accord in sight. On the contrary, the tone adopted by both sides in the dispute, which centres on demands for gradual introduction of a 35-hour week, has become harsher.

Herr Eugen Loderer, head of the trade union IG-Metall, described as "a first sclass scandal," a statement by employers that metalworkers taking part in widespread demonstrations yesterday against use of the lock-out were liable to instant dismissal. Herr Loderer said employers should realise that workers were not their slaves.

The combination of strike and lock-out has made about 80,000 out of 200,000 steelworkers idle in the North Rhine-Westphalia, Bremen and Osnabrueck areas. It is the first official strike in the industry for half a century and is estimated to have cost the steel employers DM 150m (about £40m) through lost production and IG-Metall about DM 30m (about £8m) in strike pay, so far.

The union insists that the demand for a 35-hour week is justified by the need to preserve jobs, by spreading available work instead of forcing many more men to take unemployment benefit at the expense of the state. It says its aim is shared by other western European trade unions and was heartened by a congress of the ruling Social Democrat Party (SPD) at the weekend which supported step-by-step introduction of the 35-hour week.

The employers insist that such a move would mean fewer jobs. Their costs would rise at a time when they are dragging themselves out of the worst recession of the post-war period in the steel industry. The upshot would be unavoidable pressure for further rationalisation. They have offered the union a pay increase of 3 per cent next year and six weeks holiday, but are not prepared to discuss a cut in working hours at present.

Herr Friedhelm Farthmann, Labour Minister of North Rhine-Westphalia, has been trying to find a basis to bring the two sides to the negotiating table. But after further separate talks with management and union, he said today that a joint meeting was still highly unlikely.

Herr Farthmann has been successful in such efforts before, but there are clear signs of disquiet in the Federal Government that a politician should be drawn into such a dispute at all.

In one of his rare public statements on the strike, Chancellor Helmut Schmidt stressed the importance of preserving the autonomy of the negotiating partners. The fear is that politicians might come to play an increasing role in trying to settle labour disputes. Such a development is considered to be anything but helpful to the development of West German democracy.

Anger in France over jobs loss

BY DAVID CURRY

PARIS — The decision by Chiers Neuves-Maisons Usinor, the new giant of the French steel industry, to concentrate its steelmaking in Lorraine at Neuves-Maisons in the south of the region rather than at Longwy has aroused bitter controversy.

Construction of the Neuves-Maisons plant was halted in July by the Chiers management when the merger with Usinor became a probability. Usinor itself was planning to invest about FFr 400m (£46.3m) on a new mill at Longwy in order to complete the creation of a large integrated steel complex with a capacity of 1.5m-1.7m tonnes a year.

The new Government-backed management, under M. Claude Etchegaray, has decided to reduce activity at Longwy to a minimum: finishing steel shipped from Neuves-Maisons. The direct consequence will be the loss of about 6,000 jobs at Longwy with as many again in industries dependent on steel, amounting all told to a third of the area's active population.

It is argued that the group's plan is doomed to failure because Longwy will be unable to produce products competitively once the cost of shipment has been taken into account. If Longwy is forced to close, at the cost of a further 2,700 jobs, Neuves-Maisons itself will be thrust back into crisis through the loss of one of its main clients.

The decision is attributed by the unions and steelmakers at Longwy to successful lobbying by Giscardian MPs from southern Lorraine. However, the decision can be defended on economic grounds, since the Moselle river has recently been canalised at the cost of more than FFr 500m precisely to serve the new Neuves-Maisons steelworks. The Government may have felt it was better to shut Longwy, despite the extensive investments made in it, than to be left with two ultra-modern white elephants.

In the north of France the group is concentrating production at the modern coastal plant at Dunkirk with its 10,500 labour force. But this will mean the loss of up to 6,000 jobs at other plants, including [illegible] and Denain.

The other big group, Sacilor-Sollac has already announced 8,500 cuts in jobs, two-thirds of them in Lorraine. Altogether, the two big groups upon which the Government imposed a restructuring programme in September, will shed about 20,000 jobs over the next two years to add to the 16,000 they are in the process of shedding as part of the last "rescue" plan.

Suspect chrome seized by Dutch

BY CHARLES BATCHELOR

AMSTERDAM — The Dutch Customs Department has seized a shipment of 6,000 tonnes of chrome ore which almost certainly came from Rhodesia. An investigation is being carried out to see whether any charges should be brought, the Economics Ministry says.

This is the first time a shipment of this kind has been impounded since Holland began to apply sanctions against Rhodesia in 1966. Acting on a tip, Customs officials swooped on a vessel called Hollands Diep, flying the flag of the Netherlands Antilles, which was unloading its cargo into barges in Rotterdam harbour.

The operation took place last Thursday night but has only now been disclosed after laboratory tests to establish the origin of the ore. According to the ship's papers the shipment was probably destined for a company in Austria but it is not known whether that was the final destination.

The value of the shipment may be as high as Fl40m (£10m) but this would depend on the quality of the ore, a spokesman for the Economics Ministry said yesterday. The investigation is being handled by the Economic Control Service acting on instructions from the Rotterdam public prosecutor.

The Ministry declined to say who had made the shipment or to name the company in Austria. The captain and the Austrian customer may have been acting in good faith believing the chrome came from elsewhere, the spokesman said.

Holland tightened its controls on trade with Rhodesia this summer when it extended its ban to cover goods arriving from other destinations whose original source was Rhodesia. Up to then shipments which had been shipped to South Africa or to other countries and which listed them as the origin for the shipment were not covered by the controls.

Karamanlis plea to EEC nations

BY OUR OWN CORRESPONDENT

ATHENS — Mr. Constantine Karamanlis, the Greek premier, has asked the leaders of the nine EEC member countries to help overcome the latest obstacles in the negotiations for full membership for Greece. Negotiations have stalled following proposals by the Community which the Greeks consider unacceptable.

Greece's views on the proposals—concerning agricultural products, the free movement of labour, and the transitional period to follow full membership—have been conveyed in a letter given to the ambassadors of the Nine yseterday.

A statement said Mr. Karamanlis was seeking the acceptance by the Nine of the Greek views.

Hungary shows caution on growth

By Anthony Robinson

HUNGARY, which has just come on the market for its second $300m syndicated loan this year, is planning lower overall growth, tight control on new investment and top priority for hard currency exports next year, according to the draft outline of the 1979 plan approved by the Central Committee of the Hungarian Socialist Workers (Communist) Party.

National income, the equivalent to Gross National Product, is scheduled to rise between 3 and 4 per cent next year. Growth this year is now estimated at 4.5 per cent, below the original 5 per cent target. In spite of the slowdown, domestic consumption rose by more than 6 per cent this year, against the 2 per cent planned, while investment, which was planned to decline, rose by 4 per cent.

This is partially reflected in a deteriorating foreign trade position. Exports to the convertible currency area fell by 3.2 per cent over the first half of this year against the planned rise of 13.3 per cent, while imports rose 12 per cent instead of the 7 per cent planned.

In an effort to keep the overall growth of investment within a range of 1 to 2 per cent next year, the authorities intend to ban major new investment projects by the state. Priority will be given to completing those projects already under way, particularly those linked to future exports.

The plan also aims at keeping the rise in per capita real income to around 2 per cent next year. Consumer prices are expected to rise by between 4.7 and 4.9 per cent, in line with this year's inflation rate of 4.6 per cent, which is higher than the 4 per cent planned.

Ireland seeks EMS formula

By Stewart Dalby

DUBLIN—Ireland has not abandoned hopes of joining the European Monetary System (EMS) on January 1, whether Britain participates or not, and the Cabinet met for most of yesterday in search of a formula which would allow it to join the scheme.

Despite the Italian Government's decision to join, however, which leaves just Britain and Ireland outside the EMS, it still seems extremely unlikely that Mr. Jack Lynch's Government will recommend Ireland's joining unless the terms of the offer from the EEC are improved.

Ireland had asked for £650m in grants over a five-year period in addition to what it receives from the Common Agricultural Policy (CAP) and the regional and social funds as its price for joining the system.

In the event, Mr. Lynch was offered a package of loans and grants which contained only £225m as the grant element. This was just one-third in permanent transfers of what Ireland had sought and it is understood that there has been no intimation of a better offer from either Paris or Bonn.

A Government White Paper on the EMS published yesterday made clear that the Cabinet considers that £650m is the minimum price that Ireland could accept in return for joining.

The White Paper describes the advantages of Ireland joining the EMS as bringing about a reduction in inflation and better trade opportunities. This would lead, it says, to more investment and eventually a reduction in unemployment, which is the country's main economic problem.

Debts force cutback in Poland

By Christopher Bobinski

WARSAW—Faced with a heavy external debt and the need for further foreign borrowing, Poland is planning a sharp cut in growth and investment which will put economic growth at its lowest level since 1970.

A two-day meeting of the Central Committee of the Polish Communist Party over next year's plan starts today to discuss a 2.8 per cent target for national income growth, compared with 5.4 per cent this year. Industrial output is scheduled to rise 4.8 per cent and agriculture by 3.9 per cent.

One of the more difficult tasks for next year is to cut investments by 10 per cent to Zl 590bn (£9.42bn) next year. The cuts are accompanied by a shift from heavy capital goods production to consumer orientated industries. Attempts o cut global investment have been made in the past, but have never been successful.

The growth slow down and the low rise in real wages planned for next year of 1.5 to 2 per cent are being eyed anxiously by the authorities, aware that consumers continue to be unhappy about shortages in the shops.

Arguments for faster growth in the pre-plan debates noted that the slowdown is reminiscent of steps taken in 1969 and 1970, just before the December 1970 workers' riots over food price increases.

But with a foreign debt estimated at more than US$15bn, this year's US$1.1bn hard currency trade deficit to cut, and conscious of the inflationary effects of a high rate of investment, the authorities have decided that they have no other alternative.

Oslo intent on krone stability

By Kevin Done

NORWAY is intent on maintaining the stability of the krone, despite the decision to withdraw from the European currency "snake" and to remain outside the European Monetary System.

Mr. Per Kleppe, the Norwegian Finance Minister, said in London last night that the 16-month prices and incomes freeze in his country made currency stability absolutely necessary.

He is meeting Mr. Denis Healey, Chancellor of the Exchequer, today to test Britain's attitude to the further development of the EMS. Britain is one of Norway's biggest trading partners, and its refusal to join the EMS had had a big "negative effect" on Norway's decision, Mr. Kleppe said. No final stand had been taken, however.

Mr. Kleppe said the trade-weighted basket of currencies to which the krone would now be linked would be based on about 10 currencies. The most important would be the U.S. dollar because it was the currency in which much of Norway's shipping and oil business was transacted. The basket would include all the Nordic currencies, the pound, the yen and the Deutsche Mark.

Mr. Kleppe said Norway was aiming to bring its domestic rate of inflation down to about 4 per cent next year.

Italian jobless down

The number of unemployed and people seeking work in Italy was estimated at 1.65m in the first week of October, the Statistics Institute said, Reuter reports from Rome. The October level was marginally higher than a year ago.

Union move breaks deadlock in Danish wage negotiations

BY HILARY BARNES

COPENHAGEN — The Danish Trade Union Congress (TUC) and the Employers' Federation achieved an important breakthrough in negotiations for a new collective wage agreement on Monday when the TUC agreed to drop its demand for wage-earner co-ownership.

The negotiations had been stalled by this demand, which the employers refused to consider on the grounds that they could not negotiate about members' rights of ownership. The TUC move enables the talks to go ahead.

The unions and employers were further apart than ever at the start of the negotiations. The employers have called for a reduction in wages for the first time since 1932 and an end to wage indexation. The TUC has not spelled out its demands in cash terms, but the major affiliated unions have made demands equivalent to 20 to 30 per cent on hourly wage costs, partly in the form of shorter hours, longer holidays and higher wages.

The TUC's position is complicated by a deep split between itself and the Social Democratic Party (SDP) over the formation in August of a Social Democratic-Liberal Government. At a weekend SDP congress, Mr. Thomas Nielsen, the TUC chairman, called for the resignation of Mr. Anker Joergensen, party chairman and Prime Minister, and said he hoped the Government would fall. The congress, however, was overwhelmingly behind Mr. Joergensen.

The unions fear that if the collective wage negotiations break down this spring the partnership with the Liberals will prevent the Social Democrats from taking a political initiative to solve the deadlock, as earlier Social Democratic governments have done on several occasions.

Swedish economy 'failing to adjust to world change'

BY WILLIAM DULLFORCE

STOCKHOLM — Sweden is moving out of a mixed economy following market forces into a "negotiating economy" in which decentralised adaptation to market changes is being replaced by centralised negotiations over taxes and subsidies. As a result, the country's principal problem is a steadily weakening capacity to adjust to changes and disruptions in the rest of the world.

This warning is contained in "The Mixed Economy In Crisis?" a report from five independent economists commissioned by the Economic and Social Studies Association (SNS). The association is financed by both private and State companies and by scientific foundations.

The SNS team forecasts a fast recovery of the Swedish economy in 1979 with a 5 per cent growth in gross national product but with the danger of a new inflationary explosion in wages and prices. It concentrates, however, on the obstacles to growth and to the achievement of economic balance in the 1980s.

The five economists call for cuts in the marginal rate of taxation to a maximum of 50 per cent of normal incomes and a reorganisation of the Swedish tax system to allow social services such as health care to be financed partly through fees and private insurance.

Other conditions for an increase in investments and future industrial growth are a better distributors of risk capital on an expanded capital market and revision of the current selective State financial support to companies, in the SNS team's view.

It proposes a goal of a 3 per cent annual rise in prices with international inflationary pressures being contained by allowing a gradual appreciation of the krona.

Somewhat illogically, the economists also plead for a three-year "social contract" involving the State, the employers and the trade unions, to guarantee both some increase in real incomes and a low rate of inflation.

● AP writes from Stockholm: Thousands of Lucia Light Queens will illuminate Swedish homes and offices this morning, a tradition which marks the start of the Swedish yuletide and which brings production to a temporary standstill.

The Central Bureau of Statistics, in an investigation timed for the annual celebration, estimated that unscheduled one-hour morning coffee breaks at workplaces throughout the country on Lucia Day cost SKr 168m (£19.42m).

Swiss GNP expected to grow by 1% next year

BY JOHN WICKS

ZURICH — Swiss gross national product should grow by about 1 per cent next year in real terms, according to an economic forecast prepared by Union Bank of Switzerland. The bank expects a slight decline in economic activity in the first half of 1979, followed by a recovery in the second half.

The bank study believes that growth will be made possible by domestic demand for consumer goods and services and a rather higher level of investment. Private consumption is forecast to remain at 1978 level for the first few months of next year, due to a slight deterioration in the employment situation and uncertainty about the further development of the economy. Consumption is subsequently expected to rise as the economic climate improves and the Swiss franc rate stabilises.

Despite continued caution in public spending, the investment volume is expected to show further growth. This applies to housing and industrial building activity, as well as expenditure on equipment necessitated by by rationalisation requirements.

Exports, however, will probably show only a "minimal" real-terms increase in 1979. Given the marked fall in new export orders in recent months, the Union Bank thinks that no real impulses will arise from foreign demand.

Sluggish exports and the stagnation in domestic demand is seen as leading to a weakening of the position of Swiss industry in early 1979, with structural reorganisation continuing in such sectors as textiles and watch-making. Imports are, like exports, expected to rise only very slightly in real terms next year.

With regard to prices, the study foresees that the cost-of-living will rise much more slowly than in other industrialised countries due both to the small wage increases at the start of next year and continued tough competition among Swiss retailers.

On the money and capital market, liquidity should stay high, says the bank, with interest levels in the first months of the new year continuing at about the same level as for the current final quarter of 1978.

● Swiss wholesale prices in November rose for the first time in six months. As a result of an increase in import prices, the wholesale price index increased 1 per cent over October.

Tindemans campaigns to come in from the cold

BY GILES MERRITT IN BRUSSELS

Among those campaigning in what many Belgian voters consider to be an unnecessary general election is Mr. Leo Tindemans, the former Prime Minister whose recent resignation created the country's 34th political crisis in 39 years. In order to press his claim Mr. Tindemans needs a resounding electoral success, which he must achieve in the face of growing political apathy.

A BELGIAN general election is an unwanted event, recurring all too frequently and deciding nothing. Next Sunday's December 17 poll will produce no clear-cut result, but through imperceptibly changing the balance between the myriad political factions will lead to the formation of a new coalition Government in the New Year, perhaps even by Christmas.

Like its predecessor, the caretaker Government now presided over by M. Paul Vanden Boeynants, it will represent an unwieldy 80 per cent or more of the deadlocked Parliament and will thus contain the quick-flowering seeds of its own destruction. Election campaigning in Belgium naturally reflects such futility.

It is a raw, grey Flemish morning, and in the port of Antwerp a cold wind off the North Sea is keeping people from the streets. It is also Tindemans territory and, undeterred, Belgium's former Prime Minister is out on the stump. He has scarcely moved from his stronghold in the Antwerp region during the three-week run-up, for he is making a determined bid to improve on his record personal vote to gain a mandate that could return him to power.

Getting out the very last of the grass-roots votes is vital to his chances of coming in from the political cold in the post-election jostling. In Antwerp's working-class district of Borgerhout, Mr. Tindemans' modest campaign team appears unannounced at the Friday morning street market. Muffled in a conservative blue overcoat and flanked by youthful party volunteers, the ex-Premier who triggered this election with his mid-October resignation works his way methodically up and down the lanes of stalls.

There is no exuberant pressing of the flesh, just discreet handshakes and the personal touch. Shoppers are greeted as he stops at knots of housewives straight off a Breughel canvas, and as he warms up, Mr. Tindemans lapses into Antwerp's own dialect.

Quips and comments on the excesses of the Socen (Socialists) enliven the proceedings, but there is a distinct lack of excitement. It is not merely that it is bitterly cold or that Belgians avoid American-style hoopla. It is that the present political crisis is the 34th in 39 years and political disenchantment is giving way to indifference.

If it were not that Belgians are obliged to vote by law, the opinion polls suggest that 46 per cent of the electorate would stay home on Sunday. Similarly, 66 per cent of Belgians apparently feel that the present election is uncalled for.

The Gulf between the electors and the elected has widened fast in recent years and many Belgians complain that they are locked into a proportional representation system that stifles their political choice while preventing genuine political and governmental progress.

Based not only on the usual Left-Right spectrum but also on the division between Flemish and Francophone Walloon loyalties, Belgium's complex politics make three-dimensional chess look simple. The extent to which, in a country where the economic outlook is increasingly grim, this question of the two communities is a valid political issue is open to debate. Many Belgians claim that it is a phoney crisis of the politicians' own making. It may well be that there is a fundamental misunderstanding, with the voters and the elected both reacting to the other's presumed bigotry.

As Mr. Leo Tindemans continued on his Borgerhout walkabout he unwittingly underlined the problem. He smiled delightedly when an elderly man greeted him as the only one capable of uniting the country, yet minutes later he confided his growing unease at being trailed around the market by a TV camera crew from Belgium's Francophone RTB station. "People here," he says, glancing around the Marktplein, "are unbelievably sensitive. It could be bad for me."

It is hard to credit that anything could be bad for Mr. Tindemans inside his Antwerp fiefdom. In the 1973 general election that led to his Premiership he polled a massive 80,000 first preference votes to top the 20-seat constituency, and last year he boosted that to a record 134,000.

The snag is that he must be close to his own electoral saturation point, while any slackening of support will be interpreted as the voters' displeasure and would prevent him from re-establishing his dominance of the CVP, the Flemish Social Christian Party.

It was a revolt inside the CVP against his Egmont pact for defusing the language war by devolving central power to three separate regions — Flanders, Wallonia and Brussels — that forced his resignation. Flemish hardliners object that the Egmont formula gives the minority Walloon population control of two of the three regions, and to slap them down Mr. Tindemans badly needs a solid election success.

His next stop, therefore, after Borgerhout is a "political café" lunch in the Flanders hinterland up by the Dutch border. Local dignitaries and the CVP faithful are assembled in the cavernous back room of a bar in the farming town of West Malle, and Mr. Tindemans is in his element.

Afterwards he will hit the campaign trail again with a fleet of loudspeaker vans, but over lunch his aim is to mend fences and smooth feathers inside the party. He gives a detailed account of the events that led to his resignation and before long has created a warmly approving atmosphere.

Mr. Tindemans, however, stopped short of outlining his game plan for regaining the Premiership. It is a deliberate omission for clearly he believes that the timing will be crucial in the post-election period. But in an interview he explained that he plans to put forward a revised Egmont-style proposal in which the linguistic element is played down considerably in relation to fresh constitutional and economic measures.

He intends to remain on the sidelines while King Baudouin appoints an "informateur" to investigate the formation of a new coalition. Mr. Vanden Boeynants, a political veteran who leads the PSC, the Francophone wing of the conservative Social Christians, is himself hoping to reconstitute the six-party coalition he took over from Mr. Tindemans.

Mr. Tindemans, meanwhile, is calculating that Mr. Boeynants will fail and is planning to present himself as the only acceptable Prime Minister once that becomes apparent.

It could well be a long and exhausting process as the leaders of the Flemish and Walloon Social Christians and the Flemish and Walloon Socialists manoeuvre to form a new Belgian Government that sadly will be much the same as the last.

But as a Belgian banker explained recently, the Governmental hiatus scarcely matters in a country that governs itself. "That is why," added another, "well-educated people in Belgium become bankers or industrialists rather than politicians."

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New reduction in growth forecasts for Japan in 1979

BY CHARLES SMITH

TOKYO — Japan's gross national product will grow by 5.3 per cent during the current fiscal year (ending next March) and by only 4.5 per cent in 1979, the Japan Economic Research Centre predicts in a medium-term economic forecast released yesterday.

JERC's forecast for the remainder of the 1978 fiscal year contrasts with a revised Government prediction of 6 per cent GNP growth. The Government has not yet published any growth target for 1979 but is generally expected to set a figure of between 5 and 6 per cent.

Japan's economic growth expectations are thus being downgraded substantially from this time last year when the Government, under pressure from the U.S., agreed to set off a growth target of 7 per cent for fiscal year 1978.

The main reason why growth has fallen short of earlier expectations and will continue to be very moderate in 1979 is that Japan's exports have begun to decline in volume terms. This phenomenon has been eroding the effects of domestic demand recovery since last summer. The process is expected to continue throughout 1979 although, in dollar terms, the value of Japan's exports will continue growing. JERC puts exports in 1979 (fiscal) at $108bn, 10 per cent up on the figure of $98bn projected for the current fiscal year. Imports are projected to grow by 12 per cent from $72.6bn to $81.7bn.

Allowing for a continuing deficit on invisibles JERC says that Japan will run a $14.7bn current account surplus in fiscal 1979 following a surplus of $16.9bn during the current fiscal year. It expects little change in the balance of trade between Japan and major trading partners such as the U.S. and the EEC. This means, JERC officials privately admit, that trade tensions between Japan and the U.S. (and perhaps to a lesser extent with Europe) can be expected to continue during 1979.

JERC believes that Japan's consumer price index will grow by less than 4 per cent during the current year and by a fraction over countries in the developed world during the next 18 months. It is conceded however the facade of price stability masks a possible inflationary threat in the slightly more distant future. This arises from the fact that liquidity has been growing and that traditional methods of controlling money circulation (through the imposition of direct limits on the volume of leading by major banks) have begun to lose their effectiveness.

JERC's growth forecasts are based on the assumption that the yen will float up to $1=Y185 during the first three months of next year and to $1=Y180 in the second quarter. The Centre's economists believe that, looking slightly further ahead, an appreciation of the yen against the dollar by roughly 10 per cent per year is a "built-in" feature of the present international economic situation. This will make it difficult, they argue, for Japan and the U.S. to work out any fixed system for stabilising currency fluctuations.

Salisbury depot blaze set off by guerrillas

BY OUR FOREIGN STAFF

RESPONSIBILITY FOR a huge blaze that engulfed a fuel storage depot in Salisbury on Monday night was yesterday claimed by both Mr. Joshua Nkomo's ZAPU wing of the Patriotic Front guerrilla alliance and also by Mr. Robert Mugabe's ZANU organisation.

In Lusaka, Mr. Nkomo said his fighters had destroyed the depot by setting off an explosion that killed "a considerable number of people." But another statement issued in Maputo and signed by Mr. Mugabe also claimed responsibility for the action.

In Salisbury, a military communique said: "Evidence of terrorist involvement in the fire at the heavy industrial site in Salisbury has been found. Security forces are engaged in extensive follow-up operations."

Informed military and police sources said it was believed guerrillas had pumped rocket or tracer fire into a storage tank—which then ignited a series of blasts in other tanks nearby.

The storage complex which went up in flames was run by Shell, British Petroleum, Mobil and Caltex. Their local operations came under Rhodesian control after the country's rebellion against British rule in 1965.

It was not immediately clear what impact the destruction would have. The Ministry of Commerce and Industry issued a statement assuring Rhodesians that their supplies of strictly rationed fuel would not be cut.

But the attack was generally seen in Salisbury as a serious development in the war, showing clearly the way heavily armed guerrillas can penetrate very near the city centre.

Magazine denies S. Africa link

BY MARK WEBSTER

THE LONDON-BASED weekly magazine West Africa strongly denied yesterday that it had ever been owned or managed by agents of the South African Government's Information Department.

The magazine was answering reports that it had been taken over as part of the South African Government's bid to form an international network of pro-South African media through their agents Mr. David Abramson and Mr. Stuart Pegg.

Official and unofficial investigations into the activities of the Information Department under Dr. Eschel Rhoodie had alleged that among other publications, West Africa had been taken over. Mr. Pegg said the South African Government's stake had been re-sold earlier this year.

In a statement, the magazine said: "The paper has not been owned or managed by anyone other than the present owners and management since it was acquired in February 1975 from IPC by Count Giorgio Ghislieri in order to ensure its continuing political independence.

"Pegg and Abramson attempted to obtain control of West Africa in 1976 through their London-based publishing house. The present management of West Africa successfully opposed their attempt and Pegg and Abramson failed to obtain any interest in West Africa."

ISRAEL'S ARMY REORGANISES

Turning the Sinai into a buffer zone

BY DAVID LENNON IN TEL AVIV

ISRAEL IS preparing to draw the army back into the tightly coiled spring which, when released in 1967, defeated three Arab armies in six days.

By agreeing to hand over the Sinai Peninsula to Egypt when a peace treaty is signed, the Government has given the army a formidable task of reorganisation.

Simultaneously, Israel's forces will have to be withdrawn from an area of some 60,000 sq km, and redeployed in the Negev Desert, one sixth the size of Sinai.

When the Israeli army punched its way across Sinai in 1967, it had a little over 600 tanks. Today is has over 3,000 according to foreign sources. Other areas have been similarly expanded: the air force is now flying planes twice as fast as those used over a decade ago.

Even though the treaty has not yet been signed, the Army has begun working on the unenviable job of squeezing this military machine into the narrow confins of the Negev and of redefining its defensive concept. The withdrawal has to be completed three years after an agreement is reached.

The logistics are daunting: three new air bases will have to be built to replace those being evacuated in Sinai; over 150 bases and camps will have to be dismantled; and over 130,000 tons of equipment will have to be moved back into Israel, including 4,000 pre-fabricated buildings.

In the Negev, 90m square metres of ground will have to be levelled for the new bases and roads which are to be built. Water pipelines, electric cables and sewage pipes have to be installed.

No exact figure has been given for the cost of this project, but figures in the range of $4bn are being mentioned.

The Sinai is the perfect buffer zone, and this is what the proposed peace agreement intends to make it. Though it is being returned to Egyptian sovereignty, the bulk of the peninsula will be demilitarised, to become a true buffer zone controlled by neither the Egyptian nor the Israeli army.

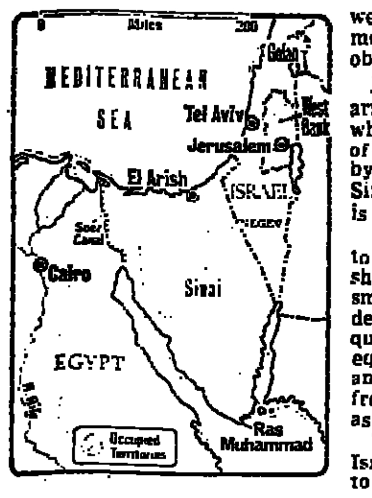
Egypt will be permitted to maintain limited forces—one division of 22,000 men, 230 tanks, 100 artillery pieces and portable anti-aircraft missiles only—in a strip 50 miles east of the Suez Canal.

The 170 km between the edge of that zone and the Israeli border will be demilitarised, apart from a small number of lightly armed border police units.

These arrangements have satisfied the Israeli High Command and the Government. But they do not appear to have quelled the fears of some who suspect Israel is giving up a tangible asset for an Egyptian promissory note to live in peace.

The strategic depth which control of Sinai gave Israel, pushing its southern defence line nearly 300 km away from the population centres, also gave it the military option of not striking the first blow in the event of hostilities.

But with the withdrawal to the



international border, Israel will no longer be abe to afford the luxury of hesitating before launching an offensive. It did so in 1973, with serious consequences. When the withdrawal is complete, Israel will reinstate the old doctrine of the preemptive strike as the only way to ensure that if a battle is to be waged, it will be waged on enemy territory.

The new depoyment will require an effective early warning system, and good intelligence.

In 1967, Sinai itself provided Israel with an effective warning system. When Egyptian troops began pouring into the peninsula, Israel had little doubt about President Nasser's intentions. In 1973 Israel was taken by surprise because the Egyptian build-up went on in an area where the movement of troops was less obvious.

Because the bulk of Israel's army is comprised of reserves, who must be mobilised, in case of war, the warning time gained by the Egyptians having to cross Sinai before launching any attack is invaluable.

Some of the immediate benefits to the military are obvious: a shorter border to defend, a smaller area for the air force to defend, shorter supply lines, quicker movement of troops and equipment from one front to another in the case of attack from the North and East as well as the South.

Under the Camp David accords, Israel is being asked ultimately to give up its current military control of the West Bank, also captured in 1967. It is comprised of a range or mountains, the Judean hills south of Jerusalem and the Samarian hills to the North.

If the Arab forces on the eastern front—Jordan, Syria and probably Iraq—were to launch an attack to recapture this area, they would face a tough climb to gain the mountain ridge. But once on top they would have a choice of 28 roads and innumerable wadis down which they could plunge on to the coastal plain.

It is because of this that Israel insist that it will never permit an Arab army to return to the West Bank.

If all these safeguards fail, having the southern command in the Negev instead of in Sinia gives the Army a far greater chance of defeating any force which tries to climb out of the Jordan valley to launch an attack on the population centres on the coast.

Bringing the forces of the Southern command closer to the centre of the country will presumably also lead to a reintegration of the Army, which has effectively been divided into two since 1967. This should bring considerable benefits on the organisation and cost side.

On the other hand, the loss of the Sinai also means the loss of a magnificent training ground. The confines of the Negev will require a different approach. The various branches of the armed forces will have to share the available space on a time basis rather than each having its own training ground. But this and other disadvantages of withdrawal are offset by another vital intangible.

There has been growing concern within the Army command about a lack of motivation among the soldiers, especially the reservists.

The 1973 war led many Israelis to reassess their attitude towards the Arabs and to question whether the nation had done enough to achieve peace. If a war were to break out after Israel had given up the occupied territories in exchange for peace treaties, there would be little problem about morale. The soldiers would fight as never before, and the Israeli army's greatest weapon—the will of its soldiers—would be at its most powerful.

Australia establishes committee to investigate wage increases

BY JAMES FORTH

SYDNEY — The Australian Government has set up a committee to examine ways to gain more direct control over wage increases. This step was taken in reaction to a decision by the Arbitration Commission to grant a 4 per cent national wage rise, the maximum increase under the wage indexation guidelines.

The Government has strongly opposed a full rise in hearings before the commission, claiming that it would threaten the Government's overall economic strategy.

The Government had stated that it would prefer no increase but only called on the Commission to exercise "maximum restraint" on wages. The commission gave prominence to industrial relations factors in deciding on the wage increase and suggested the system would have broken down if no increase had been awarded.

The Commission however, warned the trade unions that it was concerned about the trend of industrial disputes, and the pressure for wage increases outside the guidelines. It said that if it continued, it would endanger the continuation of the indexation package.

The increase was the first granted by the Commission since it switched from quarterly national wage case hearings to six-monthly intervals. The indexation formula is based on increases in the Consumer Price Index, which rose by 2.1 per cent in the June quarter and only 1.9 per cent in the September quarter.

It is only the third time in the past 10 national wage decisions that the union claim has been granted in full. The Commission took into account the fact that there would be no further increase before April next year, and that any increase then would have little impact in 1978-79.

The Government maintains that the outlook for the economy depends heavily on the future course of award wages and that excessive wage increases in 1973 and 1974 was behind the increasing levels of unemployment.

The 1978-79 federal budget strategy was based on a continuation of wage increases of about 75 per cent of the indexation formula. But this was also predicted on continuation of quarterly hearings. Treasury estimates predicted an increase in wages for 1978-79 of about 6 per cent, and a 7.5 per cent increase in average weekly earnings compared with a rise of 9.8 per cent in 1977-78.

The CPI was expected to rise 8 per cent, resulting in an inflation rate of around 5 per cent by mid-1979. The latest statistics show that average weekly earnings rose 7.8 per cent in the 12 months to September.

The Treasurer, Mr. John Howard, warned when delivering the budget in August that if wages rose faster than budgeted for by the Government, it would respond by further economising on expenditures, including a critical examination of staff employed.

He also indicated that the Government would introduce a tight monetary policy rather than allow excesive wage rises.

The bench of the Arbitration Commission did not accept all the arguments of the Government and employers on the economic effects of a full wage increase, which will add about $2bn to the wage bill. The Presi- of the Commission, Sir John Moore said that the one thing on which there was substantial agreement was that the economy was not out of the depression. The most that could be said was that the immediate economic outlook remained uncertain. However, he said, while the Commission felt that the withholding of a pay rise would result in greater restraint in costs and prices, "it is by no means clear that a reduction in the purchasing power of wage earners at this time would have a beneficial effect on output and employment."

Cultural revolution condemned

PEKING—A poster condemning the cultural revolution has appeared on Peking's "democracy wall," breaking a lull in the city's open debate on national questions.

Another advised poster writers to stay at home out of the cold or to go to Peking's current box-office hit, a Japanese film.

The first poster said the cultural revolution had confused the country, harmed education and reduced living standards. The people wanted a reversal of the verdict that the cultural revolution was good and they wanted the victims of that tumultuous era to be rehabilitated.

It is the first major political poster to appear since an open letter to President Carter was put up late last week calling on him to examine the state of human rights in China. That poster was quickly ripped down, replaced and torn down again.

The second poster did not impress its readers who added sarcastic graffiti. "Whoever wrote this must have got something good from the gang of four," was one comment.

Reuter

Arab oil chiefs discuss joint measures on refining

ABU DHABI—Arab oil-exporters must agree on joint measures to expand their rôle in the refining and marketing of petroleum products during a two-day conference here, according to Mr. Ali Ahmed Attiga, Secretary-General of the Organisation of Arab Petroleum-Exporting Countries (OAPEC).

The Libyan official was speaking at opening ceremonies of the semi-annual OAPEC ministerial session. The talks precede a crucial price-setting meeting on Saturday of the Organisation of Petroleum-Exporting Countries (OPEC). Arab producers have to "reach a common Arab formula for refineries and marketing," Mr. Attiga said. OAPEC leaders have previously expressed concern that their countries do not control a large enough share of refining, shipping, and other "downstream" operations within the petroleum industry. OAPEC countries account for more than 30 per cent of global crude oil output, but only hold about 3 per cent of world refining capacity.

Among other tasks for the conference, Mr. Attiga cited an accord on types of oil data to be exchanged among OAPEC members, and plans to open an oil technology training institute in Baghdad on January 1, 1979.

Agencies

Price increase predicted

BY IAN DAVIDSON, FOREIGN EDITOR

THE PERIOD of declining real prices for oil is now coming to an end, and may within the not too distant future be followed by an accelerating real increase as the prospect of a physical shortage of oil haunts the world. It is therefore essential that the industrialised countries should develop alternative and dependable energy sources, probably through nuclear power, and that they should help the oil producing countries to develop economically viable non-oil industries.

These are the main conclusions of an article by Walter J. Levy, the international consultant, in the latest issue of the American periodical Foreign Affairs.

Next year, Mr. Levy expects the oil price to rise by 8 to 10 per cent; thereafter it may accelerate, not merely to compensate for the decline in the real price of oil through inflation in the period since 1974, but also to offset the current account deficits of many OPEC countries.

Moreover, he expects that many of the oil producing countries start seriously to question their rapid industrialisation programmes, since few of them have sufficient reserves to make a steady transition to a post-oil economy. The capital and operating costs of major industrial projects are much higher than in the industrialised countries, and will be unlikely to provide foreign exchange earnings comparable to current earnings from oil.

In addition, all the oil producing countries will have to cope with the political and social problems posed by the vast inflow of money. "The present turmoil in Iran is indicative of what may lie ahead," he says.

Mr. Levy argues, therefore, that many oil producers will inevitably consider slowing down their development programmes, and stretching their oil reserves by slowing down the rate of production. "The present unstated policy of providing adequate production for the world's needs at manageable prices would then be replaced by one of lower production at higher prices."

Syria may look West for arms

By Ishan Hijazi

BEIRUT—Syria is reported by informed Arab diplomatic sources to be working on plans to purchase weapons from the West, especially France, if Moscow continues to shun its request for sophisticated arms.

According to the sources, the Syrian government has urged oil-rich Arab states to speed up payment of subsidies promised at the Arab summit conference in Baghdad last month to pay for the western weapons.

Syrian Foreign Minister Abdel Halim Khaddam flew to Riyadh yesterday and delivered a message from President Hafez Assad to King Khaled. Contents of the letter were not disclosed.

In Baghdad, Syria was promised about $2bn annually for the next ten years to help her meet the burdens of continued confrontation with Israel. Jordan was promised about $1bn and the Palestine Liberation Organisation $300m annually.

Arab diplomats said that much will depend on the current talks in Moscow by Mr. Saddam Husein, the Iraqi Vice President. Aside from discussing Iraqi-Soviet relations and Baghdad's own military demands, the Iraqi strongman, the diplomats reported, will try to persuade Soviet leaders to meet Syrian demands for sophisticated fighter planes and other military hardware.

A crisis developed in Syrian-Soviet relations last month when Syrian Chief of Staff, Major General Hikmat Chehabi cut a visit to Moscow short after Soviet officials were cool towards the military shopping list he brought with him.

The situation worsened after President Hafez Assad decided to put off a visit which he was planning to undertake to Moscow this month. There was speculation that he and Mr. Hussein were planning to go there together.

The Iraqi leader reportedly will try to impress on Soviet officials the importance of helping Iraq and Syria under their new alliance to establish a strategic balance with Israel in view of Egypt's exit from the confrontation.

At the strictly Iraqi-Soviet plane, Mr. Hussein is expected to try to end the recent strain between his country and Moscow over execution of Iraqi communists.

Last May, Baghdad disclosed that 21 members of the Soviet-oriented Communist Party were executed on the charge of establishing secret cells inside the Iraqi army.

Cairo softens on deadlock

By David Lennon

TEL AVIV — There has been a softening of the Egyptian position on the deadlocked issues in the Middle East peace talks, according to officials accompanying Mr. Cyrus Vance, the U.S. Secretary of State. Mr. Vance reported this progress on Monday night when he met Mr. Moshe Dayan, the Israeli Foreign Minister.

The Secretary of State attended the funeral yesterday of Mrs. Gold Meir, Israel's fourth Prime Minister, who was buried in Jerusalem at a state funeral attended by hundreds of mourners from Israel and abroad.

Mr. Vance flew back to Cairo in the afternoon and is due to return to Israel today to try to persuade the Government to compromise on outstanding issues. The U.S. is still hoping that it will be possible for Israel and Egypt to sign the draft peace treaty by Sunday, when the three-month negotiating period set at Camp David expires.

AMERICAN NEWS

Carter hints at re-election hopes

BY JUREK MARTIN, U.S. EDITOR

WASHINGTON — President Carter yesterday came extremely close to declaring publicly that he would seek to regain the presidency in 1980. He told a Press conference that he had made up his mind on the subject, but, grinning broadly, added that he would share that decision with the U.S. public "later."

There is a growing assumption here that the President will seek the Democratic Party's nomination, and that, unless he is hopelessly laid low by a failure to control inflation, he would be a heavy favourite to win it.

At his Press conference, he attempted to leave the impression that he was the centrist Democrat behind whom party members, of whatever political persuasion, could rally. This was particularly noticeable in the complimentary remarks he *made about the clear standard-bearer of the liberal wing*, Senator Edward Kennedy.

*Mr. Carter said that he recog*nised and understood "the special aura of appreciation" *that many Democrats feel for* Senator Kennedy, both for his own achievements and in *memory of his two late brothers*.

He emphasised that he "communicated well" with the Senator and *that* they both possessed the same goals. Such differences as existed, which Mr. Carter said were "minor," centred on the way to achieve desired goals.

But the President was reticent in telling the Press conference that, as chief executive, he had a "broader perspective" to bring to bear than did Senator Kennedy. While he denied that there was a growing gap on social issues between himself and the liberal wing of the Democratic Party, under the Senator's leadership, Mr. Carter gave no hint that he was prepared to tailor his *stringent economic policies so as* to accommodate his critic.

This debate was given a full airing at the party's mid-term conference over the weekend in Memphis. Senator Kennedy made the most brilliant speech of the conference—urging the speedy introduction of a national health insurance scheme—but the conference also saw the handy defeat of proposals designed to spare social programmes from Mr. Carter's budgetary axe.

The President was not slow to point this out, maintaining that the Memphis meeting had produced a general endorsement of his Administration's policies in spite of spirited liberal opposition. He also denied that the conference resolution calling for introduction of a national health scheme inside the next two years constituted any repudiation of his on a more gradual approach, or that this approach was in way incompatible with the goals of the Democratic Party.

In party terms, the key for the President is the extent to which the influential liberal wing is completely disaffected by his austere economic policies. The tentative lesson of Memphis, at which the White House displayed considerable political muscle in keeping things under control, is that the President can still *muster quite a lot of support*, and even some muted enthusiasm, from the left. Relations *may be strained occasionally but* they have yet to reach the stage of divorce proceedings.

David Buchan adds: President Carter yesterday voiced his hopes that the Shah will ride out *the storm in Iran and deplored* statements by foreign governments which he claimed *were exacerbating the violence* in Iran.

He appeared to be referring to a recent Soviet statement, and warned that while the U.S. had no intention of intervening in *Iran's internal affairs, it would* not let other countries do so either.

Set against the low rating last week he appeared to give the Shah's chances of political survival, Mr. Carter seemed more confident at yesterday's Press conference that the Shah would now pull through. While deploring recent instances of bloodshed, the President expected the situation to calm down in Iran "as the Holy Season there passes."

The President also sought to give the deadlocked Egyptian-Israeli peace talks a fresh spur by reiterating the importance he attached to the December 17 deadline, agreed by Egypt and Israel at their Camp David summit for conclusion of a peace treaty.

It was not a case of "now or never" for a peace treaty, Mr. Carter said. But he again queried how, if the two countries ignored the target date of next Sunday for concluding the treaty, it would be possible for them to *stick to all the provisions and* timetables in implementing such a treaty.

The President said that *in* Cairo the Egyptian President had reaffirmed to Mr. Vance, the U.S. Secretary of State, his *intention to speed the negotiations*. Mr. Carter hoped that the Israelis would show the same attitude.

Officials say that Iran's preoccupation with its internal problems, and its decision to stay on the sidelines in the pricesetting conference of the Organisation of Petroleum Exporting Countries which starts in Abu Dhab on Saturday, may well moderate any rise in world oil prices. Iran has hitherto been one of the OPEC member countries that has pushed hardest for oil price increases.

Supreme Court to hear race law case

By Jurek Martin

WASHINGTON — The United States Supreme Court has agreed to hear a case covering "reverse discrimination" in industry, which may be even more important than the celebrated Bakke ruling on education earlier this year.

The case concerns a suit brought by a white employee of a Kaiser Aluminum plant in Louisiana, Mr. Brian Weber. He *alleges that a special Kaiser pro*gramme designed principally to enhance the skills of black workers unfairly discriminated against him and other white members of the Kaiser work force.

The nub of his arguments is that the 1964 Civil Rights Act specifically prohibits employment discrimination on the basis of race. Many companies, however, have put into effect so-called "affirmative action" programmes to upgrade the quality of their minority employees.

The Supreme Court has never ruled on an industrial interpretation of the 1964 Act. In the Bakke case, it determined, in *essence, that racial quotas could* not be employed by universities, but that other forms of affirma*tive action might be appropriate*, especially where there was strong evidence of past discri*mination on a racial basis*.

If the court were to uphold Mr. Weber's case—and lower courts have so far ruled in his favour—then the status of countless "affirmative action" programmes would be in doubt.

Coincidentally, the Equal Employment Opportunity Commission, the federal agency, has also issued new guidelines basically endorsing the "affirmative action" concept, and encouraging companies to persevere with them in the face of reverse discrimination lawsuits.

The final Supreme Court rul*ing will probably not come until* next spring. The U.S. Government would have preferred the court not to take up the Weber case, arguing, in a written brief, that the matter should be re*ferred back to the lower courts*, in the light of the Bakke ruling.

There is a possibility that the court's verdict will not be definitive—as was arguably so with the Solomonic Bakke judgment. This likelihood has been enhanced because Justice John Paul Stevens, who wrote the principal opinions in the Bakke case, has disqualified himself from Mr. Weber's suit for unannounced reasons.

The court could, therefore, split four to four.

Truck move may hurt wage plan

BY STEWART FLEMING

NEW YORK — Moves by a key *Congressional committee to slow* down the deregulation of the trucking industry by the *Interstate Commerce Commission* (ICC), the agency supervising trucking in the U.S., could have *serious implications for the* enforcement of the Carter Administration's voluntary wage-and-price *control* programme.

The chairman of the House Public Works Committee, Mr. Harold Johnson, has written to the ICC urging it not to press ahead with rules which would encourage private fleet owners (like supermarket chains) to compete directly with the commercial trucking industry by starting to carry freight for other companies. Under existing regulations the private carriers cannot carry freight for other businesses.

The Committee's objections to the ICC deregulation proposals are *largely* procedural. It be*lieves that the deregulation of so* vital an industry as trucking should be tackled through legis*lation in Congress rather than* through the ICC's administrative procedures. It points out for *example that moves to spur com*petition in the trucking industry will have an impact on freight *rates in waterborne transport* and railroads.

The White House is following the debate about the trucking industry closely and is planning to offer its own deregulation Bill. While its views are in part based on an underlying philosophy that deregulation and increased competition will help to lower charges in the industry it is also conscious of the importance of the industry to its wage and price programme.

Perhaps the biggest test of its 7 per cent wage guideline in Phase Two is likely to come at the beginning of next year with the negotiation of the master freight agreement in the trucking industry between regulated truckers and the Teamster's Union. Pressure towards deregulation could eat into the profits of the regulated truckers making it more difficult for them to pay a big increase to the teamsters.

Chicago: the Democrats' powerhouse under fire

BY MARALYN EDID, CHICAGO CORRESPONDENT

ABOUT ONE week after Illinois residents re-elected Republicans to most of the state's highest *offices in November, a series of* minor scandals erupted in Chicago's City Hall, the focus of *Democratic party power in the* state.

In one day, four supervisors from the city's Building Department were convicted by a federal court jury of conspiracy, bribery and tax fraud and word leaked out that 27 of the city's electrical inspectors had been indicted by a federal grand jury for accepting bribes and overlooking building code violations. The jury also charged that more than one-third of the city's 70 electrical inspectors have taken bribes over the years.

Several days later, the Chicago Tribune, the city's leading daily newspaper, reported that Alderman Edward Vrdolyak had approved a change in the zoning code on property he had recently sold at a substantial profit to a local savings institution while serving as chairman of the City Council's Building and Zoning Committee. Mr. Vrdolyak has been a member of the Council since 1971 and is considered one of the most powerful men in Cook County's Democratic organisation.

These turns of events have not however loosened the hold of Mayor Michael Bilandic and the Democratic Machine over the city.

By most accounts, the machine, which has maintained almost oligarchic control of Chicago's City Hall for 50 years, is in no danger of losing its pre-eminence. Mayor Bilandic, who picked up the torch after Mr. Richard Daley's death in December 1976, was initially considered a caretaker mayor but has since established a strong and secure following of his own.

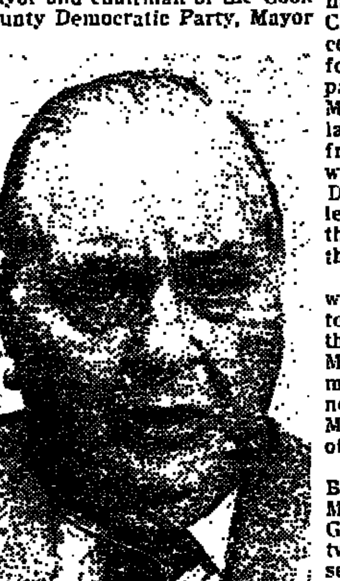
Mayor Daley was a legendary figure in American politics. It was not merely that for over 20 years he was a kingmaker in the national Democratic Party, but even more that he made Chicago work like few other major cities. There had been widespread speculation on his death that the end of his extremely personal reign would harm Chicago, if for *no other reason that he was the* only man who fully understood how his machine worked.

But it seems the scandals have not and will not hurt the party or the mayor, who will face voters *next April for his first* full, four-year term. The reason stems from Americans' boredom with scandals of all types after the over-saturation of the past few years. It derives too from Chicagoan's peculiar brand of city loyalty and resigned acceptance of bribery, kick-backs, and shakedowns as part of the city's *way of life*.

The election of a Republican governor (who is said to be *eyeing his party's presidential* nomination), a Republican Senator, attorney general and comptroller, *and even Republican* majorities in the Illinois House and in the Illinois delegation to *the* U.S. House of Representatives, all these are largely irrelevant to Chicago's Democratic Machine. Ties between the business and financial community and local labour organisations *with City Hall are too old, too* tight and too mutually beneficial to be influenced by State politics.

*A former aide to the ex-*Governor Mr. Dan Walker, a Democrat who lost his party's *renomination for a second term* in 1976, said people in Chicago were convinced that the city works. "When they compare it to New York, Detroit and Cleveland, he claimed, they are will*ing to overlook the scandals* because they believe the city is moving along."

Although Mr. Daley held simultaneously the posts of mayor and chairman of the Cook County Democratic Party, Mayor



Mr. Richard J. Daley, the late Mayor of Chicago

Bilandic lost the second *half* of the mantle to Mr. George Dunne, a senior Democratic politician who is also president of the Cook County Board (analagous to Chicago's City Council but much less powerful). Yet few citizens or politicians doubt the real power still resides in City Hall, albeit somewhat diminished in the office and person of mayor.

On election day, for instance, in wards that are heavily populated by imigrants with strong ethnic ties, each Democratic voter *received a dozen eggs from* the neighbourhood arm of the Machine.

The patronage system is still entrenched in the city and in the county. Early this fall, the fireman's association began pressing the city for a contract and the right to collective bargaining. Both the local political and labour establishments balked at the suggestion, publicly stating that residents would not tolerate and should not be threatened by a potential firemen's strike.

The party Machine, it seems, *did not want to lose control over* certain personnel practices within the department, such as *duty and shift assignments*. The Mayor and his cronies won the battle after some not-so-subtle *persuasion from City Hall*.

Apart from the fire and police departments, some 30,000 city employees owe their jobs to the Democratic organisation as do 7,500 workers at Cook County offices. A Chicago rule of thumb states that each job holder is worth a minimum of 10 votes for *the Democrats, which automatic*ally puts the party 375,000 votes ahead of any political rivals. *Besides the Democrats, there is* no other significant political force in Chicago or Cook County.

*This little matter of employ*ment is the primary reason why Chicago's leading Democratic *lights did not mount a major* effort on behalf of Mr. Alex Seith in his race against the Republican Senator Mr. Charles Percy. A U.S. Senator has precious few jobs to spread amongst loyal supporters.

When the Democrats nominated Mr. Seith, most of Chicago's inner political circle considered the choice a reward for his performance as a good party man. Equally important, Mr. Seith could afford to fund a large share of the campaign from his own pocket at a time when money was scarce and few Democrats were willing to challenge Senator Percy, who was thought to be a shoo-in for a third term.

In retrospect, if party stalwarts had recognised Mr. Percy's tenuous hold over the electorate, they might either have given Mr. Seith more support or they might have scrambled *for* the nomination. But the fact that Mr. Seith lost the race is now of little concern.

So too was Democrat Michael Bakalis' loss to the incumbent Mr. James Thompson *for* the Governor's job. During his first two years in office, Mr. Thompson seems to have worked out a detente with Cook County Democrats.

During this time, Mr. Thompson convinced the Democrat-controlled State legislature *not to overappropriate* state funds, which netted the state a working capital balance of $86m on June 30, 1978 compared to $52m a year earlier. In exchange, the Governor promised Chicago politicians that the city would receive money for a highway they have been lobbying for, as well as funds for the city's art museum and park district. The strategy has worked because Mayor Daley, the major source of friction between Chicago-area Democrats and Republicans, who *predominate elsewhere*, has passed from the scene. So Governor Thompson sailed into a second term in *November and continues to nurture his presidential aspirations*.

Although political strategists look favourably *upon* the Governor as a possible presidential candidate, noting his popularity with the voters, his middle-of-the-road positions and his youth, they concede that he is not a strong administrator and that he has not proposed any noteworthy programmes or legislation.

They also suggest his post as Governor may be a hindrance to building a national constituency. *Even though President* Carter's former job as Governor of Georgia helped launch him on the national scene, political insiders doubt that a governor's job could be parlayed into another presidential springboard. "After Carter, people are turning away from the belief that being an outsider is an advantage," said a long-time political strategist.

WORLD TRADE NEWS

S. Africa in new effort to curb oil imports

By Bernard Simon

JOHANNESBURG — In an effort to curb imports of crude oil, the South African Govern*ment has announced that the* same fuel conservation measures currently applicable to petrol-driven vehicles will in future also be imposed on diesel-driven cars and light commercial vehicles.

Announcing this decision, the Minister of Economic Affairs Mr. Chris Heunis, said that sales of diesel-driven passenger vehicles have more than trebled this year. During the first 10 months of 1978, over 7,200 diesel cars were sold, compared with 2,117 units dur*ing the same period last year*.

Mr. Heunis said that between 1975 and 1977 petrol consumption declined by about 3.5 per cent, while demand for diesel rose by about 7 per cent.

The increase in diesel consumption has meant that imports of crude oil have had to be raised, despite the *recent* installation of secondary processing plants by three refinery *operators which has enabled* them to extract additional quantities of diesel from each *barrel of crude*.

According to Mr. Heunis, South Africa's oil imports are now *running at around R1.3bn* a year, compared to only R190m in 1972.

He said that while *fuel con*servation measures were originally introduced to counteract a *shortage of crude oil, the* Government's main concern now is the cost of oil imports.

Ushiba to stay in trade role

TOKYO—The Japanese Government has appointed Mr. Nobuhiko Ushiba, former External Economic Affairs Minister, as the Government *representative to the Tokyo* Round of Multinational Trade Negotiations, the Foreign *Ministry said*.

Mr. Ushiba has represented Japan in the current series of the negotiations between Japan, the U.S. and European Community. He stepped down as the new Prime Minister, Mr. Masayoshi Ohira, abolished the post in his cabinet. Foreign Ministry officials said the Government reappointed Mr. Ushiba to streamline the trade negotiations.

UK companies on blacklist

By Jamie Buchan

JEDDAH — Over 80 companies, including five British, have been blacklisted by Saudi Arabia under the Arab boycott of Israel, the Saudi Ministry of Commerce announced this week.

A statement in the Official Gazette named the British companies as Gestetner Holdings, Gestetner (Eastern), Woodville Rubber and Garlock (Great Britain) which are subsidiaries of the boycotted Garlock Incorporated of Rochester NY and Microwave Associates, an affiliate of the blacklisted Solitron Devices Incorporated.

Mexico to sell oil to France

PARIS—France will import 100,000 barrels of crude oil *daily from Mexico starting at* the beginning of 1980, informed Government sources said. The *French Industry Minister, M.* Andre Giraud, is returning to Paris this afternoon having *signed the 10-year accord with* the Mexican Government, the sources said.
Reuter

Danish shipowners reverse position on Government aid

BY HILARY BARNES

COPENHAGEN — Danish shipowners are seeking temporary financial relief from their Government in a reversal of their long-standing opposition to subsidisation of the industry.

The Danish Shipping Association has presented a four-point programme to the Minister of Commerce, Mr Arne Christiansen calling for a two-year moratorium on repayments of mortgage loans from the Ship Credit Institute, opportunities for shipping companies to obtain *loans* abroad, and revised financing arrangements for orders placed with Danish yards.

It has also appealed to the Government to prevent any general wage increases, which the *association says would make it* indefensible to continue to operate vessels under the Danish flag.

The owners want a three- to five-year grace period which is *free from repayment and interest* on loans from the Ship Credit Institute for orders placed at Danish yards. The institute currently finances up to 80 per cent of new orders at 8 per cent over 10 years.

Mr. T. Woeldieke Schmith, chairman of the association, said *that his members* wanted temporary assistance only and the association was still firmly committed to its belief that shipping should be a private enterprise industry.

Government aid was now necessary because falling freight rates were creating a cash crisis for many companies, especially those which have built ships at *Danish* yards at prices well above the world level, he said.

The Danish merchant fleet at the end of October consisted of 1,046 vesels totalling 5.07m g.r.t. So far this year the fleet has declined by 20 vessels and 5,000 g.r.t.

Our shipping correspondent adds: Denmark has been a leading campaigner within the EEC and in other *international* discussions against the proliferation of subsidies for both shipping and *shipbuilding*.

It is one of the few significant shipbuilding countries which has *not directly subsidised its ship*yards, although one year ago a temporary interest subsidy was introduced *to encourage Danish* owners to order in Danish or other EEC yards. In practice, this has meant orders going to Danish yards.

The request for a moratorium *follows similar moves* in a number of maritime countries, including Greece and the UK, *where* a limited scheme for tramp ship owners has so far not been taken up by a single company.

Japan-India industry talks

BY K. K. SHARMA

NEW DELHI—Japanese and Indian businessmen have agreed to examine a proposal for establishment of labour-intensive manufacturing units in this country by Japan on the basis that they buy back the final products.

The proposal was made by an Indian delegation on the grounds that *rising* wage costs and the appreciation of the yen made such investments in India attractive.

The proposal was discussed at the two-day meeting of the India-Japan Business Co-operation Committee which ended here today. After further discussions, a *special meeting* will be held in Tokyo next April and May to take up the proposal.

Other proposals to be examined include transfer of Japanese technology and equipment on a mutually advantageous basis in new and existing industries in India.

Also to be examined are reasons for the "scanty interest" on the part of Japanese companies in investments in joint ventures in India.

Speculation on USSR arms sales

FINANCIAL TIMES REPORTER

SPECULATION that the USSR is making a big new effort to extend its arms sales in South America has been strengthened this week with the return to *Bolivia of a 27-man team of* senior Bolivian officers and military experts after a three-week visit to the Soviet Union. The Soviets are already major suppliers to neighbouring Peru.

Reporting the visit, Inter Press Service says that General Ramon Azero, the Bolivian army commander, has announced that the cabinet is studying ways of strengthening the armed forces.

Next year is the centenary of the War of the Pacific in which Bolivia lost its Pacific coastline to Chile which the Bolivians *have been making increasingly* energetic attempts to recover by diplomatic means.

Given the scarcity of Bolivia's resources the government of General David Padilla is most likely to demand very generous credit terms for any new arms purchases. The USSR granted *such terms in the early 1970s* in order to clinch the sale of tanks and combat aircraft to Peru which *also has a latent* territorial claim against Chile.

Britain is one of the Western countries which has also been bidding for arms contracts in Bolivia.

ASEAN to discuss air fares

ECONOMIC MINISTERS of the five ASEAN countries will meet in Kuala Lumpur *from Thursday* to discuss, among other matters, a common stand in the negotiations with Australia over air fares and stop-over rights.

The ASEAN countries have expressed concern that the proposed changes in Australian aviation policy would be a severe blow to ASEAN tourism, but they are apparently of two minds on how to tackle the issue.

ASEAN countries acknowledge they would gain more Australian tourists by the introduction of cheaper air *fares*, but believe they would end up losing much more by the proposal to disallow disembarkation *in ASEAN* capitals for passengers on the Australian-European routes. Last year, about 250,000 Australians visited ASEAN countries, and most of them were stopping over *for a few days* on their way to Europe.

Singapore which stands to lose most, because it receives *most* of the Australian traffic, and has most flights into Australia, is pushing hard for the ASEAN economic ministers to adopt a tough stand on the issue, with the possibility of taking retaliatory measures against Australia, but other ASEAN members feel less strong about the issue.

ASEAN officials are scheduled to meet their Australian counterparts in mid-January to thrash out their differences.

The three-day meeting will also review ASEAN trade relations with various economic groups, such as the EEC, Japan, the U.S., Canada and Australia.
Reuter

Third World potential seen for Britain

By Lorne Barling

THE WORLD'S developing countries should be seen by British industry as important markets for the future, rather than threatening competitors, the newly appointed Secretary of State for Trade, Mr. John Smith, said yesterday.

In his first major speech in office, Mr. Smith predicted, that the 1980s would be a highly competitive decade, but believed there was a new sense of determination in Britain to be competitive.

"If we succeed — as I believe we can — we will see the results most clearly in trade. Our manufacturers have held their share of *the market for the last few years*, and I hope we will see them advance in the years ahead," he said.

The rapid expansion of developing countries had done much to maintain growth in world trade in recent years, and provided market opportunities as *much as marketing threats*.

The opening up of China was important for exporters, and the *heavily populated countries of* South East Asia were markets of great potential.

Union boycott likely to hit Chile hard

BY HUGH O'SHAUGHNESSY

CHILE'S international trade is *likely to be hard hit by the boy*cott of Chilean goods by various international trade union groups due to start on January 1.

The boycott was decreed last month in Lima by the ORIT, the Inter-American Regional Workers Organisation, whose most powerful member is the U.S. AFL/CIO. U.S. dockers are now committed *to halt all Chilean goods and this* could paralyse sales in Chile's biggest market.

The ORIT move is in line with the long expressed call by the *International Confederation of* Free Trade Unions (ICFTU), the principal non-Communist trade *union grouping. The* ICFTU which is based in Brussels has *been supporting protest action by* workers in Australia and New Zealand against the policies of *the Chilean junta*.

Action by U.S. and Latin American unions is likely to be *followed by unions in Western* Europe, though some European Socialist unions have expressed *unhappiness with the drafting of* the ORIT resolution. This calls for parallel action against *Nicaraguan and Cuban goods in* protest against the situation of trade union rights in those two *countries. Many Socialist trade* unions oppose action against Cuba.

The Chilean junta is taking the threat very seriously and General Augusto Pinochet, the *Chilean President, has called for* street demonstrations against the *moves*.

Sr. Pedro Baraona, the Chilean Economy Minister, commented *last week*: "*The worst of the* damage has already been done. Who now is going to order *Chilean goods in preference to* the same goods from other countries when they may find in *a few months'* time that they cannot take delivery."

Sr. Pedro Corona, a senior *official* of Codelco, the state copper mining company, announced in Santiago that if *copper* was not shipped out or spares not shipped in there was a possibility that Chuquicamata, *the giant open cast mine in the* Atacama Desert would be closed. Other mines could be affected, he said.

DUTCH AEROSPACE

Orion deal a blow to Fokker

BY CHARLES BATCHELOR IN AMSTERDAM

AMSTERDAM — The Dutch Government's decision to order the Lockheed Orion instead of the Dassault Atlantique for marine reconnaissance work puts the Dutch aircraft group Fokker in a difficult position. It has *dashed Fokker's hopes of a co-*production deal for 55 Atlantiques—13 for Holland and 42 for *France—and almost certainly* cost it an order for 18 F27s for use by the French navy.

*It may also have cost the com*pany a sizeable market for its aircraft with French regional airlines which have been good customers in the past and with Air France and Air Inter when their ageing Caravelles are replaced.

Mr. Frans Swarttouw, the recently appointed chairman of Fokker, carried out an intensive lobbying campaign this autumn, threatening that the company's future was in doubt unless Holland opted for the Atlantique, and thus for a far-reaching French-Dutch aerospace deal.

The company is now more sanguine about its prospects and says much will depend on support and guarantees it can get from the Government. Talks are due to be held shortly but no date has yet been agreed.

While the Government decision in favour of the Orion finally put paid to Fokker's hopes of a deal with France, the French themselves had already shown themselves unwilling to support the company's more ambitious plans.

At a late stage in the talks the Dutch brought up the question of the F-29, a 110-130 seat jet which Fokker hopes will carry it into the 1990s. Holland sought French participation in the Fl 1bn ($500m) development costs of the F-29 which is ex*pected to fly in 1984/85*.

When all the other issues had been agreed the F-29 remained *the subject of proposals and* counter proposals up to the last moment. But the French were finally unwilling to support *a* project in which Fokker would have retained control and which might have produced a competitor for aircraft produced under the Airbus consortium's Joint European Transport (JET) programme.

Fokker wanted the French to take a quarter share in the *development costs yet* the Dutch company would have retained control of design work, market*ing and final assembly*.

"We were ready to bring the F-29 into the Airbus project," a Fokker *spokesman said today*. "But we still would have played the leading role. The way the French wanted integration would have meant us losing control and we would have been downgraded to a simple manufacturer of parts.

"But aircraft construction is an area of advanced technology which we are not prepared to give up. That is not our idea of being a self supporting independent aircraft manufacturer."

The F-29 was brought into the discussions at a late stage but this did not prejudice an agreement, the Economics Ministry said. The French were only asked to make a declaration in principle that they were ready to co-operate and further talks would not have ironed out the differences.

Fokker has been seeking other *international* partners for the F-29 apart from the French and will now concentrate its efforts *on these other potential co-pro*ducers, the spokesman said. It has held discussions with Japan, Sweden, West Germany and even the U.S., which up to the appointment of Mr. Swarttouw in July, was seen only as a competitor for the European aircraft industry.

Fokker remains confident of the prospects for the F-29. It has forecast a potential market of up to 1,200 and realistically believes it can hope to sell 350-400. It sees the proposed British Aerospace 146 as more of a competitor for the F-28 than for the F-29 and is *doubtful whether the* proposed JET-1 aircraft will ever get off the ground.

The F-29 is the *aircraft in* which Fokker places its hopes for the future. The turboprop F-27 has sold much better than the company ever expected with about 680 having been made in the past 20 years. It is *now* expected to go on selling well into the 1980s but its life is clearly limited. The jet-engined F-28 has done less well however and only 139 have been sold in the past 10 years.

The VFW-614 which was being assembled at Vereinigte Flugtechnische Werke's Bremen plant was withdrawn from production after only 16 had been sold and the Fokker-VFW link is now being severed. Fokker declined to comment on the progress of talks with the German Government, VFW and Messerschmitt-Boelkow-Blohm aimed at setting up a new *German aerospace group* but the negotiations were earlier forecast to be completed around the end of this year.

Lockheed's success with the Orion as the successor to its Neptune leaves Fokker with the problem of what to do with the U.S. company's limited compensation deal. Lockheed has *offered to let Fokker* set up an assembly line in Holland to produce the 13 aircraft required but Fokker *says the number involved* will not make the operation worthwhile. U.S. companies have also offered to place orders worth at least $60m in Holland.

The Navy and *the* Defence Ministry are pleased that they will get a well-tried aircraft with deliveries starting in 1981 and costing Fl 300m less than the Atlantique. Fokker, the Economics Ministry and the Trade Unions are left pondering the *consequences* for the Dutch aircraft industry and for employment.

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Dundee traders shift to CBI

By Ray Perman and Cooleen Toomey

AN IMPORTANT CHAMBER of Commerce left the Association of British Chambers of Commerce *yesterday to join* the Confederation of British Industry.

Dundee and Tayside Chamber of Commerce, which has 1,200 member-companies, became a *commercial* association member of the CBI at a signing ceremony in London attended by Mr. John *Greenborough, the CBI president* and Sir John Methven the director-general.

The chamber will have direct representation on the CBI Council, the Scottish Council and on committees. Negotiations between the CBI and the chamber have gone on since January, when a joint working party was established.

Members of the chamber felt that though the Association of British Chambers of Commerce performed well in representing their interests at local level, this national organisation did not provide an effective voice at the highest level, particularly with Government.

Several chambers are already *members of the CBI, including* Westminster, which has 3,000 member-firms, and Plymouth, which joined last week, bringing in 600 companies.

None before Dundee had been a member of the association.

Trade missions

Dundee and Tayside is among the more active chambers of commerce and in the past 10 years has organised a number of trade missions.

Mr. Tony Newsome, director-general of the association, described Dundee and Tayside's decision as "unnecessary and ill-conceived."

As the natural home for any chamber, the association was not *a rival of the CBI. Mr. Newsome said.* It was "particularly sad that they have done this extraordinary thing.

A meeting of the Association of Scottish Chambers of Commerce voted unanimous yesterday to expel Dundee and Tayside *Chambers of Commerce.*

State-backed audio factory to close

BY OUR BELFAST CORRESPONDENT

STRATHEARN AUDIO, the loss-making hi-fi company *established by the Government in* Belfast five years ago, is to close with a loss of 180 jobs. The Government says it can no longer fund an operation which has never been viable.

In spite of the closure, negotiations will go on with AIWA, the Japanese electronics concern, about a possible take-over of the factory.

Strathearn, which was set up to counter growing unemployment in the predominantly Catholic district of West Belfast, has cost the taxpayer about £9m.

Mr. Don Concannon, Minister of State responsible for industry in Ulster, told managment and *workers* yesterday that the Department of Commerce could not fund the company's activities beyond the end of the year. The plant is expected to close almost immediately and the work force made redundant.

Last December, at the request of management and unions, the Government committed itself to *further aid to give the company* time to find its feet. Mr. Gordon Smyth, a Belfast businessman who took over as chairman, halved the labour force and pruned the product range.

In the last year £2.3m of state aid has been pumped into the factory. Mr. Concannon said that in spite of the efforts to improve the company's position, it *was now clear that the Govern*ment could go on no longer.

According to figures from the Northern Ireland Development Agency, the company lost £3.1m in the year ending on March 31.

However, Mr. Concannon said the development agency, which owns the equity *in Strathearn,* would continue talks with AIWA which earlier this year were brought into discussions about a *joint venture.*

The Government is clinging to the hope that AIWA will agree to such a venture with the development agency and begin manufacturing *in the* vacant factory. In spite of recent optimistic noises from Strathearn, it *is understood* that AIWA was not prepared to come in with the company as it stood.

The hi-fi venture was launched by the former Northern Ireland Finance Corporation in 1973, but from the start it was dogged with managerial and technical difficulties. The direct-drive turntable, specifically designed for production at the factory, represented a level of technology which many now regard as being too sophis*ticated for the inexperienced* workers.

Hitachi and GEC plan joint TV sets venture

By Robin Reeves, Welsh Correspondent

A FORMAL link between Hitachi and the General Electric Company to manufacture television sets in South Wales is due to be announced in London today.

The joint venture, which has been expected for some months, is understood to involve Hitachi *effectively taking over responsibility* for production of television sets at GEC's manufacturing plant at Hirwaun.

It provides a happy ending to Hitachi's previous attempt to enter the UK television manufacturing industry. Last year, the Japanese company felt forced to abandon plans to establish an assembly plant in north-*east England, because of strong* opposition from existing UK manufacturers and unions.

The rebuff caused a great deal of consternation in Japanese business circles and, for a time, damaged efforts to attract other Japanese investment to Britain.

But despite Hitachi's temporary withdrawal, the UK television manufacturing industry *has continued to be plagued by* over-capacity, causing particular anxiety at Hirwaun, which is situated at the heads of the valleys in an area of high unemployment.

The joint venture with Hitachi comes hard on the heels of a similar tie-up between Toshiba and Rank for the manufacture *of television sets in Plymouth.*

£170m. Post Office half-year profit in line with target

BY JOHN LLOYD

THE Post Office should again show a substantial profit at the end of the financial year, broadly in line with the Government target, after the announcement yesterday of half-year profits before tax of £170.2m.

But the results to September 29, show that a new mechanism *adopted to pay off the deficiency* in its pension fund means that the telecommunications business is cross-subsidising the postal business, a situation the corporation wants to avoid.

In addition, the final profitability of the postal business remains highly dependent on the outcome of the pay talks with the Union of Post Office Workers *and on the productivity scheme*—known as overlay—which is still to be concluded.

The six-monthly figures were achieved on an income of £2.2bn. Telecommunications' profit was £144.7m on an income of £1.5bn, posts showed a profit of £24.2m on an income of £684.8m, and Girobank showed a profit of £1.3m on an income of £46.5m.

Interest

Income for each business for the first six months was up on the same period last year, but the telecommunications business showed a lower profit of £144.7m against £153.5m last year.

This lower profit was a result of much higher interest charges *(£223.9m in the first six months* of this year against £167.7m in *the same period of last year).*

The extra interest payment was, in turn, due to the arrangement for repayment of the pension fund deficiency, whereby the reserves are used to pay off a £1.25bn deed of covenant made with the fund.

While this arrangement means that the deficiency is funded out *of interest, thus being taken out* of the Post Office's tariff structure and having no short-term effect on prices, *it also means* that the reserves, almost all of which are built up from the telecommunications surplus, are used to finance a deficiency of both businesses.

While the half-yearly profit in the postal business suggests a year-end surplus of around £52m, this figure is bound to be considerably depressed by the effects of a *union pay settlement.*

Unofficial figures show that a settlement of 5 per cent—thought to be unlikely—would lower the surplus by around £14m to about £38m.

The cost of the Overlay scheme is estimated to be about £15m. *To meet the Government target* of a 2 per cent profit on turnover, posts must show a profit of about £30m *by the end of the* year.

● The Mail Users' Association said last night that the half-yearly figures were welcome, but that the "continual uncertainty about postal tariffs in 1979 is disappointing. Certainly, on 1978's *performance, no more* than a half penny on the letter rates is justified."

Electronic mail 'will hit profits'

Financial Times Reporter

ELECTRONIC MAIL will begin *to bite deeply into conventional* posts, and into postal business profitability, by the mid-1980s, says a report by Mackintosh Consultants.

The report, a £500,000 study of many of the world's postal authorities, predicts that some 1m *pieces of electronic mail a* day will be sent by 1982, rising to about 3m by 1987. This would be about 5 per cent of *business-to-business* post in 1982, and about 10 per cent in 1987.

Since electronic mail would take away marginal business where the postal service could make a surplus, the effect on profits would be much more severe.

The report estimates that West Germany, expected to adopt electronic *post techniques faster* than other European countries, will have about 40,000 electronic mail terminals by 1982, compared with 30,000 in the UK.

The overall market for equipment will be worth £700m in the U.S. and £550m in Western *Europe by 1987. The UK domestic* market is forecast at about £70m by then.

The study suggests that European postal authorities will want to market terminal equipment, but may not be able to develop the market sufficiently, *and that this would be best* achieved by close collaboration of private and public sectors.

Textile imports freeze urged

BY MAURICE SAMUELSON

MORE THAN 4,000 jobs have *been lost in the textile industry* this year, according to textile manufacturers and unions, who *are calling for a freeze on fur*ther imports into the EEC area from Third World countries.

The figures are contained in a letter to Mr. Eric Varley, the Industry Secretary, from the Knitting Industries Federation and the National Union of Hosiery and Knitwear Workers.

The letter says that if Third World countries are allowed *to* increase their EEC sales beyond the agreed levels, Hong Kong, South Korea and other countries will want to increase their export quotas.

Malta and Cyprus must not "remain outside the net" of countries *whose exports to the* EEC are limited.

The letter opposes concessions to Greece, Spain and Portugal before they join the EEC, and *says that when they are admitted* there should be an extended transitional period to stop the "southward drift" of the textiles industry.

The Government has been asked by the wool industry to reconsider a request for financial *help to some Yorkshire com*panies which say they are at an *unfair disadvantage compared* with EEC competitors.

Mr. Tom Hibbert, chairman of *the Wool Textile Delegation,* has written to Mr. Varley renewing a request for an interim subsidy of £750,000 a year for part of the scouring industry to help offset high-water and trade effluent charges.

The Industry Department had said earlier that the EEC Com*mission would not allow such a* subsidy.

Mr. Hibbert, writing on behalf of a working party representing the wool textile industry and the Yorkshire Water Authority, which supports the subsidy, says that substantial financial assistance is available to industry on anti-pollution grounds in other EEC States.

Directors' body backs shake-up

BY JASON CRISP

*THE Institute of Directors coun*cil voted 37-to-nil, with three abstentions, yesterday to endorse the decision of its policy and executive committee in re*organising the institute's admini*stration.

The re-organisation, which *affects 100 staff, took place two* weeks ago. It handed responsibility for administration, finance and development and education to Mr. Stuart Watson, executive director, leaving responsibility as the institute's principal spokesman to Mr. Jan Hildreth, director-general.

Mr. Hildreth has vigorously opposed diminution of his responsibilities and has said that if the council vote went against him he would resign.

*The policy and executive com*mittee is headed by Mr. Denys Randolph, the institute's chairman, who is also chairman of Wilkinson Match. This year Mr. Randolph called in the management consultancy firm John Broadbent Jones to look at the *institute's future.*

The management consultants recommended that a new head of administration should be appointed, leaving Mr. Hildreth *free to devote his efforts to being* the "voice" of the institute.

When Mr. Hildreth joined the organisation it was making substantial losses. In 1974 the deficit *was nearly £130,000 and in 1975* almost £250,000. By drastic cost-cutting, increasing subscription fees from £14 to £30, with a subsequent substantial member*ship loss, Mr. Hildreth* brought the institute back into surplus.

He also supervised the institute's move from Belgrave Square, London, to Pall Mall.

Although Mr. Hildreth's five-year contract has 12 months to run, the institute is advertising for his successor in this month's issue of its magazine, The Director.

That, according to a statement from the institute, is because its advisors say it will take that long to find and make available his replacement.

Mr. Randolph, said yesterday that Mr. Hildreth was consider*ing the council's decision.*

When Mr. Hildreth joined the institute there was friction as he attempted to change it from a comfortable club into a poli*tical force.* Until then, it was best known for its annual conferences at the Albert Hall, with 5,000 directors eating picnic lunches.

MP takes top job at troubled Meriden

By Arthur Smith, Midlands Correspondent

WORKER DIRECTORS at *Meriden motor cycle co-operative* have appointed Mr. Geoffrey Robinson, the Labour MP for Coventry NW and former managing director of Jaguar Cars, *as managing* director.

The co-operative said yesterday that Mr. Robinson was taking the position subject to his parliamentary and constituency responsibilities. He will receive no salary or expenses.

His first task is likely to be to *try to convince* the Government that it should waive accumulated interest charges of more than £1m due to be paid next June.

Embarrassing

The appeal will be particularly embarrassing for Mr. Eric Varley, the Industry Secretary, at a time when the Kirkby Manufacturing and Engineering Co-operative on Merseyside is also seeking £3m aid.

Mr. Robinson can be expected to press for a quick decision, arguing that delay would lead only to uncertainty and damaging Press speculation.

Mr. Robinson, one of the leading figures in the establishment of the co-operative in 1974, has been devoting *much time* to the organisation in recent weeks. Measures to improve efficiency and cut costs are being implemented.

One *reform* which has proved popular with the work force was to reduce Board meetings to one a month. Worker directors have returned to their jobs and meetings now take place after hours.

Rail traffic switch to cut road noise 'is not practicable'

BY PAUL TAYLOR

THE TRANSFER of road freight to rail would reduce environmental noise but the large scale transfer needed to make a significant impact is not practical, says a report on the growing problem of road traffic noise published yesterday.

It was prepared by a working party of the Noise Advisory Council set up in 1970 to advise Ministers on policies related to environmental noise.

Its findings will come as a further blow to the environmental pressure groups and, in *particular,* to the anti-heavy lorry lobby.

The report concluded that although rail transport had advantages over road transport in noise terms "*the possibilities of* large scale transfers from road *to rail are remote "because of* economic and practical reasons.

The council is conerned about the size and "the worsening of the noise problem" caused by road traffic, particularly by heavy lorries.

However, it did not find sufficient evidence that *it would be* a simple matter to alleviate the nuisance caused by heavy lorries by switching all freight to rail.

As an alternative, the council's working group on noise from surface transport suggests that environmental noise should be *minimised by technical develop*ments such as the Government's quiet heavy goods vehicle project and the use of electric traction, or through administrative measures such as traffic management schemes.

Regional chief tells of fruitless plan

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

MR. NEVILLE CONRAD, chairman and chief executive of Regional Properties, *told* the High Court yesterday of the events leading to the group's £10m losses on the abortive St. Stephen's Precinct development *by the West London Air* Terminal in Kensington.

Mr. Conrad appeared as a witness in the Crown's case against Mr. Charles Hudson, *former chief planning officer of* Kensington and Chelsea, who is charged with corruptly receiving cash and other benefits as an inducement to show favour to planning applications.

Mr. Conrad told the court of a meeting with Mr. Hudson eight days before Regional paid £9.5m for the St. Stephen's Precinct site.

He said that the chief planner left him with the clear impression that Regional could certainly develop 80,000 sq ft of offices and that it could probably build 100,000 sq. ft. on the site.

He did not check the planning position with the Greater London Council because he had only eight days to submit a tender for the site and knew from experience that the GLC would not welcome approaches from a developer who did not yet own the land.

Mr. Conrad was asked about a circular to shareholders posted in August 1973 carrying a valuation certificate by surveyors Jones Lang Wootton. The certificate said that, on the basis of information made available to JLW, the £9.5m price of the site was reasonable.

The court was told that the appraisal, for which Mr. Conrad accepted ultimate responsibility, was based on a 270,000 sq ft scheme, which was half for offices and half residential.

Mr. Conrad explained that the 135,000 sq ft of offices consisted of the 100,000 sq ft of "pure" offices which he believed would be "probable" after his talk with Mr. Hudson, and a further 35,000 sq ft of "hybrid" offices.

These hybrid offices were to be suites containing residential space for "diplomats and overseas businessmen."

Mr. Conrad said that it was his clear understanding after talks with Mr. Hudson that his appraisal was realistic.

He agreed that Regional was shocked to receive a letter from the council in May 1974 which *quashed hopes for a major office* redevelopment. He said: "Once we established that we had come against a brick wall with the planners, and had obviously been misled," Regional attempted to change its plans. A scheme for 94,000 sq ft of offices was submitted.

The case, which is expected to last several months, covers part of the ground to be considered in Regional's civil action against the Royal Borough Borough of Kensington and Chelsea, Mr. Edward Pineles, vendor of the St. Stephens site, Mr. Hudson, the former planning chief, Michael Laurie and Partners, the *surveyors* and Mr. Elliot Bernard, a Michael Laurie partner.

Regional is suing for the £10m plus losses incurred on the site, which was sold piecemeal after the group abandoned development plans late in 1975.

Medical union defends its status in court

FINANCIAL TIMES REPORTER

LEGAL ARGUMENTS for including the Medical Refence Union in the list of insurance companies *were put in the High Court* yesterday.

The Department of Trade claims that the Medical Defence Union, which provides indemnity *cover against doctors' errors,* should come under its supervisory powers, but the union is asking the court to declare that it need not be classed as an insurance company under the Insurance Companies Act, 1974.

Mr. Justice Megarry, who is trying the case, agreed that he would have to determine the *meaning of the words* "a contract of insurance" in order to give judgment for either party.

He accepted that the 1974 Act listed various classes of insur*ance business* but gave no effective definition of what this meant in law.

Mr. John Chadwick, counsel for the Department of Trade, claimed that the major part of the union's indemnity assistance for its members came within the *category of being benefits of an* insurance nature.

Mr. Robert Alexander, QC, for the union, challenged this and said many of the matters raised by the legal arguments had wide-ranging importance in other directions as well.

The hearing was adjourned until today.

Liotard makes £60,000 after 204 years

LONDON ROOMS were exceptionally busy yesterday. At Christie's a chalk drawing by Jean Liotard of his son at breakfast was bought by Colnaghi for £60,000, plus the 10 per cent buyer's premium, at a sale of *Old Master drawings which totalled* £115,955.

The price was more than double the estimate. The drawing, obviously from life, was exhibited in Paris in 1771. It last appeared at Christie's in the artiss' sale of 1774, when it failed to find a buyer. Another important Liotard, of a young Englishman, failed to sell.

Another London dealer,

SALEROOM
BY ANTONY THORNCROFT

Baskett and Day, paid £10,000 for a drawing in red chalk of a man in a tricorn hat by Watteau, while a Tiepolo of a young Oriental fetched £3,500.

Perhaps the most interesting sale of the day was at Sotheby's, which disposed of the papers of the Lyttelton *family, stretching* from the 12th to the 19th century, for £164,150. Lord Cobham *has sold the archive for* tax reasons. Some of the best local items have gone to museums in Birmingham and Worcestershire.

The top price was the £40,000 for the letter books kept by William Lyttelton when he was Governor of South Carolina between 1757 and 1760. Alan Thomas, a London dealer, paid £6,000 for a rare letter by Elizabeth I. The same sum secured a charter of King John confirming the foundation of Halesowen Abbey.

Other good prices were £4,500 for a rare coloured initial letter portrait of James I; *£4,400* for the Royal Letters Patent granted by Henry III, with a good impression of the Great Seal; £4,200 for 61 letters from Queen Victoria to Lady Lyttelton; and £1,900 for a single letter by Victoria to Lady Lyttelton, written only a *month after the death of the* Prince Consort.

Also at Sotheby's, the Lindberg collection of early Chinese ceramics made £560,380. Hirano *paid £65,000 for a glazed pottery* tripod dish of the Tang Dynasty, while Gamon Art of Hong Kong *acquired a Honan ribbed jar,* Sung, for £42,000. Bluett, the London dealer, paid £23,000 for a large Han grey pottery standing lady.

There was a very good auction of Victorian paintings at Sotheby's Belgravia which totalled £369,907, with just 3.1 per cent bought in. All told there were 28 auction records for artists.

The highest price was £12,000 for a still life of fruit by Edward Ladell, while a record was the £8,000 for "The Lumber Cart" by Henry Boddington.

Another record was £7,500 for "A Stop at a Tavern" by Henry *Andrews, while a still life of* fruit by Ladell realised £7,000. "Billet Doux," by John Godward, *took £6,000 and £5,500 for a* David James seascape was another artist's record.

At Christie's South Kensington, in an auction of cigarette cards and other *collector's items* which totalled £18,021, a collection of Baxter prints took £620, *and an album of* 171 cigarette cards £110. Two autograph albums sold by the widow of Sir George Robey made £95.

Real Ale men attack pub swaps

THE LATEST round of pub *swaps announced* by the big brewers was described last night as "a shoddy attempt to hood*wink the drinking public,*" by the Campaign for Real Ale.

The pressure group said that the swap, announced on Monday and involving 1,000 public houses over the next five years, would not alter the big brewers' domination of the industry.

Instead, it called on the big brewers to increase public choice by selling off many of their outlets to smaller brewers and by offering beers from other companies in their tied houses.

Rise of 12.3% in furniture deliveries

Financial Times Reporter

FURNITURE DELIVERIES in the UK for August-October rose by 12.3 per cent compared with the *same* period a year ago, according to figures published by the Department of Industry yesterday.

The provisional estimate of deliveries for October is £85m (at current prices), which gives a seasonally-adjusted index of deliveries for the month of 102.

The average for August-October is 110 which is 2.9 per cent higher than the revised figure for the previous three months (May-July).

The index of orders-on-band, on a seasonally-adjusted basis, yields a provisional figure of 83 *for October. The average for the* three months August-October is 80, which is a rise of 14 per cent from the revised figure for the previous three months and 21 per cent higher than the same period a year ago.

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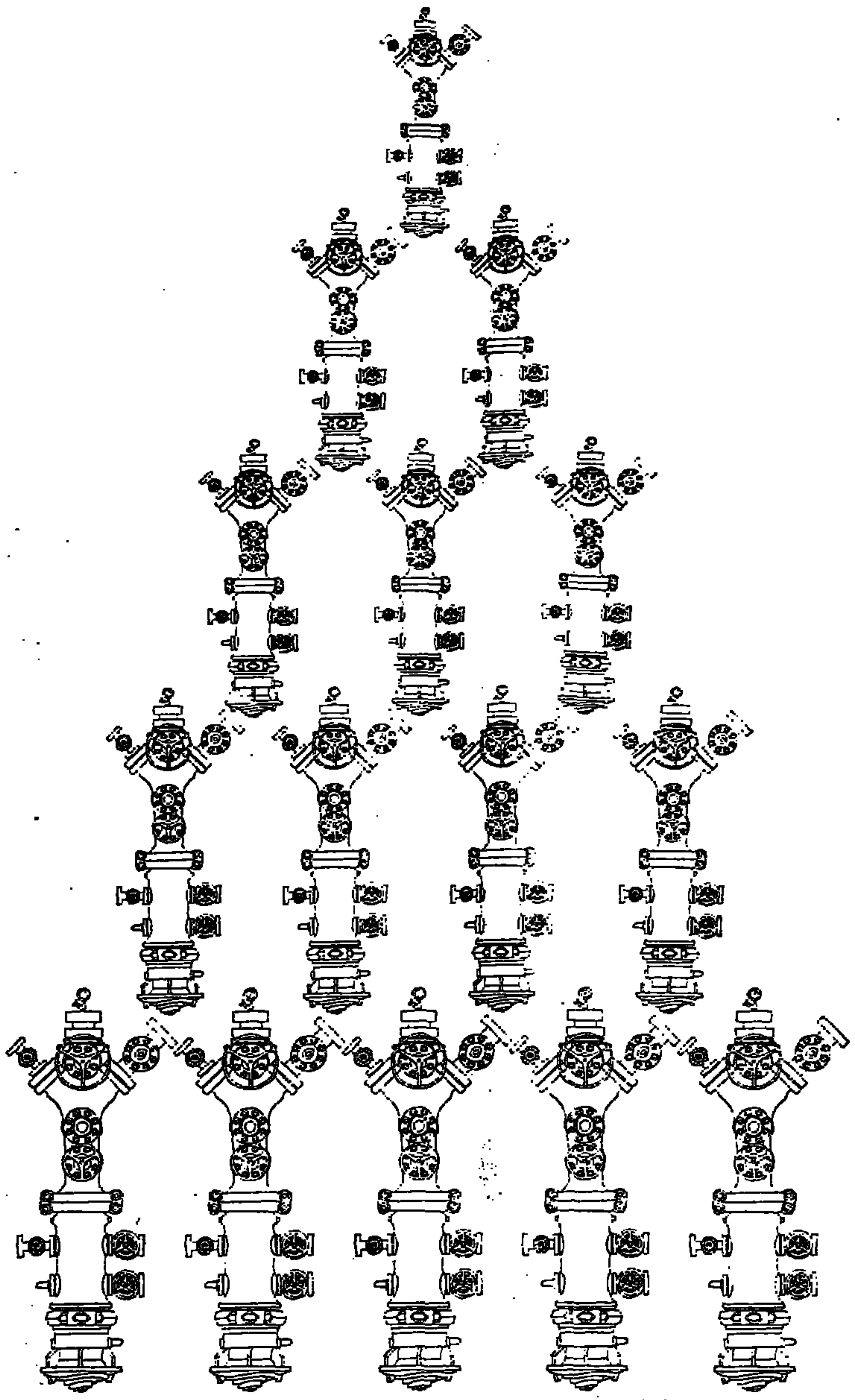
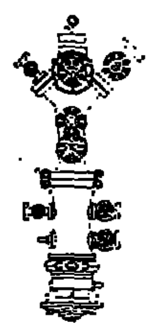
How to grow more Christmas trees.





We don't have in mind the traditional festive symbols popularised by Prince Albert, but the tree-shaped capping devices — oil men call them 'Christmas trees' — that sit astride completed wells.

So far we've planted 15 Christmas trees on the deck of our Beryl A production platform in the North Sea. We've placed three others on the seabed, one of them to produce oil five miles away from the platform — the most distant yet attempted in the North Sea.

Through technology, huge infusions of capital and the careful development of people, we're taking risks to ensure that there'll be 'presents' beneath our Christmas trees: the oil the nation expects. In 1977, the Beryl field's first full year of operation, production amounted to 22 million barrels. The important thing — and a potential problem of North Sea oil — is to resist the temptation to jettison the formula which has led to success. Some countries have made that mistake, once oil is discovered. Happy with the early bounty, they choke off the process under which more oil might be found and developed.

North Sea oil development demands continuous massive investment of capital and technology. The oil industry will need to spend some £7,000 million in the next decade — as much again as the companies have spent so far — just to produce the oil that's already been discovered.

We depend on reasonable Government policies which will encourage future private investment in the North Sea and ensure that the taxpayer does not have to dip into his pocket to meet capital needs. But increasingly stringent licensing terms and proposed tax changes, together with separate treatment for the state energy corporations, are beginning to cause us concern.

The taxpayer has rightful expectations. But so has the provider of capital, technology and jobs. The many banks, insurance companies and pension funds which have taken a stake in the North Sea have invested the money of *their* customers, and they too must see a proper return. So must our individual shareholders.

The biggest and most profitable North Sea fields have almost certainly now been found. The next phase of exploration will take us to less promising areas, often in deeper waters. This will be more costly and will require highly sophisticated new technology.

We believe we can provide this technology. And we are confident that the growing expertise of our workforce will be up to the job.

But oil investment is like the pine seedling. It must be nurtured by a suitable environment. Given a healthy investment and operating climate, we will continue to take risks, deploy our skills and supply the needed capital.

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Vosper sets up new company to seek warship contracts

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

A UK-BASED company has been formed to help developing countries build their own warships.

Vosper International is the latest venture of Vosper, the privately-owned warship company left alone when most of the industry was nationalised last year.

Mr. Peter Shepherd, the former sales and commercial director of the state-owned Vosper Thornycroft, has left British Shipbuilders to become managing director of the venture.

He said that initially there would be a 15-strong team of consultants at the Fareham-based company. Most are being or have already been recruited from British Shipbuilders.

Vosper International would have two main roles: to provide a complete range of consultancy services on the building, operation and maintenance of warships, and to assist in marketing the services of Vosper's shipyard in Singapore, which builds corvettes and patrol boats.

Mr. Shepherd said that many countries wanted to build their own warships and it was hoped that in some cases the Singapore yard would provide a lead vessel, with the production run being built in the buying country under the supervision of Vosper International.

Identity

Sir John Rix, chairman of Vosper and formerly chairman of Vosper Thornycroft, said that one reason for establishing the new company in Britain was to retain the British identity and access to financial support which might be offered to the warship yards of British Shipbuilders.

Such support was becoming necessary because of subsidies, clandestine or otherwise, being given in other European countries.

Although Vosper intended to compete vigorously with British Shipbuilders, the market was big enough to support both, he said.

The question of a big expansion of Vosper through takeover remains unresolved pending the settlement of compensation terms for the nationalisation of Vosper Thornycroft.

Mr. Ken Ford, Vosper's finance director, said that point would soon be reached when either a settlement would emerge or the company would opt for arbitration.

A wide gap is still thought to remain between the Government and Vosper—with an offer of about £4m against a claim in excess of £25m.

Mr. Ford said, however, that no firm offer had been made and would not comment in detail on the negotiations.

Vosper has been examining a number of takeover possibilities in recent months, including a bid for a part of Fairey. It also considered, but turned down, investment in the Thermoskyships air ship venture, which European Ferries has decided to back.

White House looks at British viewdata

BY JOHN LLOYD

BRITISH VIEWDATA systems are being considered by the White House for the President's office and those of his advisers.

Viewdata will be one component of a "presidential office of the future" in which the President will have at his fingertips the most advanced communications equipment available.

Butler Cox and Partners, the UK consultancy group, will give a seminar on viewdata systems at the White House next month.

The seminar takes place at a time when the main U.S. communications companies — believed to include American Telephone and Telegraph—are showing a strong interest in developing a viewdata capability. This would possibly be based on the Prestel system, now about to be marketed by the UK Post Office.

British viewdata technology, which includes the Ceefax and Oracle broadcast teletext systems developed by the BBC and ITV companies, is generally considered to be the most advanced in the world.

However, a number of other countries have systems which are following hard on Prestel's heels. The Titan-Antiope system, produced by the French post office, is particularly advanced, and believed to be close to a public announcement.

Japan's Captains system, and Canadian and Swedish technologies are also well developed. None of these, however, is believed to be capable of a commercial launch before the 1980s.

Prestel has already been sold to Germany and Holland, and it is thought likely that Spain will also buy it. Negotiations over a further sale to Hong Kong are now almost complete.

Besides the Butler Cox presentation at the White House, the UK software group, CAP-CPP will demonstrate its "telesoftware" technique, which allows a transfer of computer programmes to "intelligent" TV sets or small computers.

Butler Cox has recently completed a study of the potential U.S. market for viewdata, and has concluded that it will be very large.

Home lending curbs failing to stem prices, say builders

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

Government intervention to restrict mortgage lending had failed to dampen down rising prices, Mr. Colin Shepherd, president of the House-Builders Federation, said yesterday.

He told the Federation's annual meeting in London that the housing industry believed the Government should not have stepped in. Price increases of the order recorded in recent months were inevitable after four years of sharply rising costs and artificially low house price increases, he added.

The restrictions had seriously affected house purchasers and builders. The building industry faced the next 12 months with considerable uncertainty over prospects for sales.

"While we welcome the recent announcement that Government guidelines on lending have been raised to £700m a month, there is an even more serious problem facing the building societies and, consequently, the builders themselves."

It seemed unlikely that societies would be able to attract sufficient funds to meet the new lending ceiling, in spite of the higher interest rates recently announced.

Mr. Shepherd also called for urgent action to improve the supply of suitable building land. The industry welcomed the Government's concern to improve the planning system, but unless significant quantities of new land for private development were forthcoming, the housing programme would now start to be hit.

Agrément Board 'should be merged'

THE Agrément Board, the quality control body that tests and issues certificates on construction industry materials, products and techniques, should be merged with the British Standards Institution, according to a report published yesterday, Michael Cassell writes.

The Agrément Study Group, set up by the Environment Department to examine the board's usefulness, says that feeling has been growing that it has not fully achieved its purpose: to spur innovation in the building industry and to help to maintain standards for traditional products.

The report says that the feeling has arisen mainly because of doubts about the practical value of Agrément certificates. Some enforcement authorities have proved reluctant to accept them as evidence that a product would satisfy building regulations.

Finance

The Government's concern was that the board had also continued increasingly to need public money instead of becoming self-sufficient, as expected, three to five years after it was set up in 1966.

A merger of the Board with another organisation, preferably the British Standards Institute, was "desirable." That would provide certificates with an enhanced status, attract high-quality staff, and offer the chance of establishing a much more effective operation.

Under any such merger, the Agrément function should not be allowed to become a drain on the finance of the new organisation's other activities.

The study group suggests several steps that might enhance the status and acceptability of Agrément certificates.

Mr. Reg Freeson, Minister for Housing and Construction, said that he was discussing the report's findings with Ministers and would announce his conclusions as soon as possible.

Campaign launched to cut commuters' fares burden

BY LYNTON McLAIN

A CAMPAIGN to win tax concessions for London commuters was launched by hte City of Westminster Chamber of Commerce yesterday.

Many commuters spent so much time worrying about the costs of getting to and from work that their work suffered, Mr. Robert Stevens, a past chairman of the chamber told a group of MPs with constituencies in and around London.

The rising costsc of commuting were forcing people and companies to leave the capital. "The problem is now one of trying to keep the commercial centre of London operating as a going concern."

It was a particularly acute problem for young people starting their careers in central London. Up to a third of their salaries after tax went on travel costs.

Tax relief on commuting costs was the simplest solution. The alternative was for employers to pay higher salaries, but this could force companies to consider moving out of the capital.

Sir Bernard Braine, Conservative MP for South-East Essex, said that the high cost of commuting was "quite devastating on the young."

There was very little local employment in many commuter areas, but the proposal for tax relief for commuters would get little support from MPs outside commuter areas.

Mr. Ernest Perry, Labour MP for Wandsworth, Battersea, South, said the call for tax relief should not be restricted to rail season ticket holders.

He urged the reintroduction by British Rail and London Transport of off-peak fares for commuters who travelled before 8.00 am. This could be linked with the flexible working hours worked by many London companies.

Mr. Charles Scott, a Central London careers officer, said that there should be concessions for young people.

Mr. Stevens said that it would be a waste of time for the chamber working party to consider all the possible anomalies inherent in a scheme that would give relief only to season ticket holders.

The working party proposals will be sent to MPs in three or four months.

Engineers need status says Prince Charles

THE Prince of Wales presenting Dipta Mehta, of Lord Mayor Treloar School, Hampshire, yesterday with the Industrial Society's award for the best sketch staged by sixth form students on the theme "why industry matters." The prize, shared with Eton College, was presented during a conference marking the society's diamond jubilee, at which more than 500 students debated working in industry. Five of the original 50 entries, sponsored by well-known companies, were staged. Prince Charles said that Britain would not survive unless engineers received the respect and status that they enjoyed in Europe, Japan and the U.S.

Shipbuilders' new designer

BRITISH SHIPBUILDERS has recruited a senior naval architect to head its long-term design team. Mr. Marshall Meek will join the corporation next month after 25 years with Ocean Transport and Trading of Liverpool.

The corporation said that the appointment was a key move in its development of ship designs for the 1990s. Mr. Meek holds office in several professional associations and with the General Council of British Shipping. He is also a visiting professor at Strathclyde University.

Scottish bank improves its foreign services

BY MICHAEL BLANDEN

CLYDESDALE BANK has reorganised its overseas services to deal with the substantial recent growth of foreign banking activities in Scotland.

The Scottish banking scene has been given new impetus in recent years by the incursion of leading U.S. and other foreign banks, attracted by the growth of North Sea oil, as well as by the moves of London clearing banks to set up operations there.

Clydesdale, one of the three big Scottish banks and a subsidiary of the Midland Bank group, is setting up a new division, Clydesdale Bank International, which will become operative at the beginning of next year.

The division will co-ordinate the existing overseas services of the bank into one unit. These services include export finance and currency lending.

Clydesdale said yesterday that over the years it had provided a wide range of international services to its customers, and had built up an extensive network of banking correspondent relationships. As a member of the Midland Bank group, it had been able to "plug in" to the group's international connections.

Initially, the headquarters of Clydesdale Bank International will be in the bank's former chief overseas branch in Buchanan Street, Glasgow, but they will move into the new head office complex in the city centre next year.

Mr. J. Clifford, present manager of the bank's chief overseas branch, will head the new division as chief international manager. Mr. John Cook, formerly superintendent of branches, will be assistant chief manager.

Braniff seeks Boston route

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRANIFF International, the U.S. airline which flies between Gatwick Airport, London, and Dallas/Fort Worth, Texas, wants to fly between Gatwick and Boston as well.

The airline has asked for this route, and is awaiting the decisions of the UK Civil Aviation Authority and the U.S. Civil Aeronautics Board.

But there are some political problems. Under the current Anglo-U.S. Bermuda Two air agreement, only two U.S. cities can have "dual designation"—that is, be served by two airlines from each country. At present, they are New York and Los Angeles.

The U.S. is anxious to see Boston included as a "dual designation" point and President Carter wrote to Prime Minister James Callaghan earlier this year about this, but so far, no decisions have been taken.

Mr. Russell Thayer, president of Braniff, said in London yesterday he was hoping for an early decision.

Mr. Thayer said the airline was happy at Gatwick, which was at present ideal. But he thought that if too many more scheduled and charter airlines were to congregate there, it could become congested.

At present, Gatwick handles about 7m passengers a year, but has capacity for 16m. Further expansion plans at the airport envisages a second terminal to raise its capacity to 25m passengers a year.

The airline is hoping also for quick approval by the U.S. Federal Aviation Administration of Concorde, so that Braniff can start its planned interchange agreement with British Airways, in January.

CONTRACTS

£1m order for Bridon Wire

BRIDON WIRE, the Doncaster-based wire manufacturing company of the Bridon Group, has won an order worth more than £1m from John Mowlem and Co. The order comprises about 3,000 tonnes of prestressing strand for the piling contract being undertaken for the Central Electricity Generating Board at Drax "B" Power Station, Selby, North Yorkshire.

★

Steel castings valued at more than £750,000 are to be supplied to a Middle East aluminium smelter under a contract awarded to Engineers, — — — — — — — O. H. STEEL FOUNDERS AND ENGINEERS, Sheffield, one of the five foundries of the Glasgow-based Weir Group. The contract was placed by George Wimpey M. E. and Co., a company with a major share in the construction of an aluminium, power and water complex being built by British Smelter Constructions at the Gulf port of Jebel Ali for the Dubai Aluminium Company. When complete, the complex will be able to produce 135,000 tons of aluminium a year, 499 MW of electricity and 30m gallons of fresh water a day.

★

FILM COOLING TOWERS (1925) has received an order worth over £300,000 for two splashpack cooling towers to supply water for a new process plant at BP's refinery in Europoort, Holland. The towers were ordered by main contractors, Lummas Company, and FCT will be supervising erection.

★

GENERAL TELEPHONE AND ELECTRONICS has been awarded a $956,000 (£487,100) contract to supply equipment for a microwave network which will provide high-quality communications to western Surinam for the first time. The 125-mile system will connect Nieuw Nickerie with Apoera and Avanavero.

★

A £1m contract for design and installation of mechanical and electrical services for the air-conditioned new headquarters of Whitbread London in Luton has been secured by HADEN YOUNG, a Haden Carrier Group subsidiary.

★

BALFOUR BEATTY CONSTRUCTION, a member of the Balfour Beatty Group of BICC, has been awarded a £0.82m contract by Winthrop Laboratories for the design and construction of offices, production and workshop space and refreshment areas at Fawdon, Newcastle.

★

The Wales and Marches Telecommunications board has awarded a £900,000 contract to WRIGHT AIR CONDITIONING (BRISTOL) for the design, construction and installation of a special air conditioning system.

★

The Construction management division of HIGH-POINT SERVICES GROUP has been awarded a contract worth about £350,000 for a 36-bedroom extension with a link block for Mount Olympus Hotel, near Kidderminster, Worcs.

★

A contract worth over £100,000 has been awarded to RADCLIFFE CONSTRUCTION, of Bolton, for work on an extension to Decopart's 10,000 sq ft factory at Nelson. The extension will double the factory area and is expected to create another 60 jobs.

★

MARCONI AVIONICS, a GEC-Marconi Electronics company, has been selected by British Aerospace to supply fuel flowmeter systems for export versions of the Hawk jet trainer aircraft. Orders, worth about £150,000 have so far been placed for systems which will equip Hawks for Finland and Indonesia.

★

PRICE HOTEL SERVICES, the hotel division of Arthur Price of England, has won a $250,000 contract with the Meridian Hotel in Abu Dhabi, in the United Arab Emirates. The equipment is spread over many needs for this hotel that will be opening in the spring.

★

The Arab Organisation for Industrialisation (AOI) has reached agreement with CHUBB for the supply of advanced security and fire systems at two of their joint-venture factory sites outside Cairo—Arab-British Dynamics and Arab-British Helicopters.

★

A $1.6m contract to expand the capabilities of an intra-national communications satellite earth station network in Algeria has been won by GENERAL TELEPHONE AND ELECTRONICS CORPORATION, U.S.

★

SPERRY GYROSCOPE, UK division has been awarded a contract by the Defence Ministry to supply 26 MK 23 gyrocompass systems for the Navy. The contract is worth about £500,000.

NEWS ANALYSIS ● PETROCHEMICAL PRICES

ICI looks for a golden chance

BY SUE CAMERON, CHEMICALS CORRESPONDENT

ICI is billing its plan to increase petrochemical prices as a bold move designed to turn a costs crisis into a golden chance.

The group admits that increases in the cost of naphtha—a basic feedstock for the petrochemical industry—have reached crisis proportions. In the first quarter of this year naphtha spot prices stood at about $130 a tonne. Last month, they came close to hitting $200 a tonne.

ICI says that naphtha prices seem to be settling at about $180 a tonne and it reckons that next year the price will be nearly $170 a tonne.

But this has to be compared with the group's forecast, last year, that the feedstock cost would reach only $160 a tonne and even that would not happen until 1979-80.

The company estimates the rise in raw material prices will cost it about £70m next year. Mr. John Harvey-Jones, a deputy chairman of ICI, said yesterday this was sufficient to make a considerabe "dent in profits" unless action was taken.

Yet the problem for ICI is not simply "naphtha prices have gone up like a rocket" this year, but that the group has had enormous difficulty in passing on the increases.

During the last two years plastics prices—the plastics industry is a major customer for petrochemicals—have been extremely weak. The main reason for this has been overcapacity and repeated attempts to increase polymer prices have met with little success. In some areas plastics producers are still failing to break even.

ICI itself, is not breaking even on its sales of low density polyethylene (LDPE) though it hopes to do so by next March. It has already announced a first stage LDPE price increase, which will come into effect next month.

Yet the group's planned increases in basic petrochemicals—it wants to put ethylene, propylene and phenol up by at least 20 per cent and it is proposing rises of nearer 50 per cent for aromatics such as benzene and paraxylene — must have an enormous impact on the downstream plastics market. The question is whether ICI will manage to make the rises stick.

It clearly believes it has a sporting chance or it would not have made the move in the first place. Mr. Harvey-Jones said that ICI's competitors were bound to increase their petrochemical prices simply because of rising naphtha costs.

Yet he admitted that some ICI competitors were "selling forward at fixed prices." He described them as "bloody bonkers," but added that they had the power to cause a "major distortion in the market place."

As well as worrying about its petrochemical competitors, ICI is also "deeply concerned" about the attitude of its plastics and fibre customers towards naphtha price rises. It believes some of them do not fully appreciate the reasons for the cost increases and the effect that they "must have on end prices."

It is, therefore, doing its best to prepare the plastics and fibre markets by detailing some of the major factors which have led tothe rapid rise in naphtha prices. It says that the main causes are:

● The shortage of light crudes from which naphtha is produced in the greatest quantities. This has been caused by the dwindling demand for the heavier end of the barrel and the need of oil companie to balance their operations towards heavy fuel oil.

● High demand for gasoline which is also made from naphtha.

● Saudi Arabia's decision to restrict production of light crudes.

● Increased buying of naphtha by the U.S. and Japan which has mopped up any Caribbean surplus and also put pressure on Middle Eastern supplies.

This has meant Western Europe has been unable to find alternative naphtha supplies.

ICI is hoping that its case will prove strong enough to convince its downstream customers and the Government of the need for higher petrochemical prices. The group has already made applications to the Price Commission for increases in aromatics, olefins and ethylene oxide and its derivatives.

At a time when wage rises are supposedly being held to 5 per cent, requests for price rises of up to 50 per cent are certain to be given the most rigorous scrutiny.

ICI said yesterday that in a situation in which naptha prices had risen 30 per cent during the year, while chemical prices had only gone up by 5 per cent "obviously cannot continue. Increased costs will have to be passed on to the customer."

The logic seems impeccable and if the new prices go through and stick, the move will be something of a triumph for ICI.

PRICE INCREASES NEEDED

1) To recover increases in naphtha costs July 1978 (£69/tonne) to 1st quarter 1979 (£90/tonne).

2) To give required CCA return at 1st quarter 1979 naphtha price.

Product	July '78 prices £/t	A. To cover increased naphtha costs £/t	A. % rise	B. To give required CCA return £/t	B. % rise
Ethylene	188	225	20	231	23
Ethylene glycol	215	247	15	302	40
Benzene	126	168	34	190	51
Paraxylene	148	180	22	224	51
Pure terephthalic acid	256	281	10	354	38
Phenol	230	272	18	317	38

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Coating withstands a blowtorch

PATENTS HAVE been applied for on a fire-retardant composition which, in a thickness of only 1 centimetre, will withstand the direct flame of a butane torch for one hour, after which the reverse of the sheet can be touched with the naked hand in safety.

The material ablates under these conditions at a rate of about 2mm per hour.

Presented in the form of a putty-like sheet, the phenolic copolymer, which is the basic constituent, is compounded with several additives, requires 15 to 20 minutes to cast and about a day to "mature." That process requires no heat and minimal pressure. Pilot sheet material is being made in one metre squares and thicknesses from 6mm to 1cm.

The "raw" flexible sheet can be formed, shaped or draped to practically any shape manually and bonded to steel and other surfaces using conventional adhesives. The next step would be to harden it in situ by the application of heat between 130 and 150 degrees C for five to ten minutes. After that, the coating is permanently thermoset and will not soften again.

An excellent thermal insulator, if the sheet is subjected to forced combustion, it will not flame or produce dark choking smoke, nor are the off-gases toxic.

Most corrosive materials and the common solvents have little or no effect and no asbestos is included in the formulation.

Suggested applications include fire protection of steelwork in big buildings, fire walls for automotive and certain aerospace applications, tunnel linings and linings for crucible, safes, high temperature batteries, etc.

Derived from the material is a foamed or expanded version for use in insulation work. It can be produced in the form of ceiling tiles, fire-doors and partitioning and can be given specific gravities between 0.2 and 0.7 whereas the solid material rates about 1.4. Higher density materials are load-bearing and, the developers assert, superior to rigid polyurethane while having won maximum-rating fire certificates.

Yet a third formulation is a phenolic-based, glass fibre reinforced substitute for various types of asbestos sheet. This material could compete with asbestos-cement in a number of important applications, such as interior building panels. No known health hazard has been discovered when this material is cut or applied and it too is the subject of a patent application.

Desai Polymer Developments, Condover Industrial Estate, Condover, Shrewsbury SY5 7NH. Dorrington (074373) 607/8.

● SOFTWARE

UK product success

SHADOW II, the teleprocessing monitor for the larger IBM machines developed and marketed by the British software house, Altergo, has received the highest possible commendation within the international data processing community.

The product has been voted by its users in the United States and Canada into the Datapro Honour Roll. This makes Shadow II the first British-developed software product to have achieved this distinction—and only 30 out of 2,000 products were thus acclaimed.

It is the second award to have been received by Altergo for this product this year. Shadow II was elected to the ICP "Five Million Dollar Club Award" in the United States earlier this year for "having clearly evidenced its leadership as a proprietary software product."

Datapro reports are compiled annually from independent industry surveys which request users to rate software on overall satisfaction, throughput and efficiency, ease of use, documentation, technical support and training. Shadow II topped the ratings among teleprocessing monitors.

Over 80 per cent of all sales are exports and the product has now established a strong foothold internationally. In less than two years of operations in North America, Altergo has installed over one hundred systems.

Users of Itel and Amdahl machines are moving to the product and, during 1979, the company expects record growth as well as penetration into the Japanese market, and Latin America. Three European-developed products are now being marketed.

Altergo Software, Imperial House, 15/19 Kingsway, London, WC2B 6UN. 01-240 8896.

● AUTOMATION

Gets the data out

QUANTITIES SUCH as torque, strain, temperature, pressure and displacement can be transmitted from a rotating shaft or component using capacitive coupling in a system developed by Astech Electronics.

No radio frequencies are used, transmission is by a simple pulse train in which a variable mark-space ratio technique is used to define binary zeroes, ones and word synchronisation bits. Pulse rate is adjustable so that the type of read-out or display in use can be matched.

During each sample period for the channels (there can be up to 256 channels) time is allowed for binary conversion and transmission in serial form.

Coupling to the receiving unit is from a length of insulated wire wrapped around the shaft; the air gap can be up to 100 mm. The received signal is subsequently transmitted by cable to the remotely located display unit where it can be converted back to analogue form for further processing.

Ashtech at 73 Castle Street, Farnham, Surrey (02513 25585).

● AGRICULTURE

Hygiene on the farm

PIGGERIES, poultry houses and stock pens can be virtually disease free if cleanliness is maintained by the use of its Diapower pressure power washers says Warwick Pump and Engineering, Oxford Road, Berinsfield, Oxford, OX9 8LZ.

The washers remove dirt, grease, oil and fat, at high speed, using cold or hot water, or saturated steam.

The machines are fully portable and available in pressures from 1,000 to 2,500 psi (70 to 158 kg/cm²), and can easily be operated by one person.

They have been on show at the Royal Smithfield Show with the company's centralised cleaning system, Centerclean, suggested for operation in abattoirs and dairy buildings.

Particularly for cleaning in confined spaces, farmers are also offered a cold water washer which is said to be ideal for walkways between battery cages, pig pens and similar restricted areas.

● ELECTRONICS

Will cut complex profiles

AIMED AT the development department producing its own experimental and prototype printed circuit boards, is a bench top profile and pin router from Circuitape, 33 New Street, Aylesbury, Bucks (0296 84511).

Removable guide pin, adjustable fence and end/depth stop are fitted as standard, and allow a wide range of work to be carried out with the one machine, says the company.

Complicated profiles can be cut from a master using the guide pin; cut-outs for connector keys, relays and other components can be cut using the fence and end stop; and unwanted tracks removed by using the cutter height adjustment.

Boards can also be chamfered to remove rough edges by fitting the angle cutter with the fence in the side position.

● RESEARCH

Makes most of laser power

SEMICONDUCTOR laser equipment is finding increasing application in optical telecommunications and video long-play disc systems. One of the problems, however, is that the beam emitted by this laser tends, by nature, to diverge sharply, while the above applications demand a narrow beam.

The laser has therefore to be equipped with a minuscule lens so that the desired narrow beam can be obtained. Because they are so small, however, such lenses are difficult to make using conventional methods.

Scientists at the Philips Laboratories of North American Philips Corporation (NAPC) in the United States of America (co-operating with international Philips research) have developed a new technique whereby the laser creates a suitable lens for itself with photoresist applied to the laser.

Lasers such as those used in an optical telecommunication system have a layered structure, the active layer usually being made of gallium arsenide and extremely thin. It emits a light beam, the divergence of which is usually greater than 40 degrees.

If such lasers are coupled to optical glass fibre then a considerable loss of light will occur due to dispersion. Between laser and glass fibre it is necessary to mount a lens which adapts the beam of light to the acceptance angle of the glass fibre.

The Philips method has the laser make the desired lens for itself. A layer of photoresist that hardens on being exposed to light (a few microns thick) is applied to that surface of the laser from which the beam will be emitted. This layer is then irradiated with ultraviolet light and hardens. A second layer of photoresist is applied and the laser is started up.

After a few hours exposure to the laser this second layer is developed in the usual way. The parts not irradiated by the laser light are removed and a small lens remains at the spot where the light is emitted from the laser. The divergence of the beam is reduced by approximately one-half.

The results described refer only to laboratory experiments; they do not necessarily imply a follow-up in production or marketing, Philips says.

Further from POB 523, Eindhoven, The Netherlands.

● TEXTILES

Cuts heat loss in the dyehouse

A VAST consumer of energy and particularly heat, the industry is making a number of studies to seek ways of economising in energy consumption—clearly in dyeing and finishing, where fibres and fabrics are repeatedly wetted and dried, there is a great deal that can be done.

In drying machines, such as stenters, moisture is evaporated from fabrics and blown out of the shed as exhaust, but unless the maximum moisture loading of the air is maintained then there will be an unnecessary loss of heat. A new system has been developed in Germany by Mahlo GmbH and Co., KG (British agent: Thomas Borges and Partners, Park House, 5 Acres Lane, Stalybridge SK15 2LY. Tel. 061 303 3381). This constantly monitors the moisture content of air in the exhaust systems of drying machines. Called the type AML the instrumentation operates on the basis of measuring the speed of sound in the water-loaded atmosphere and, depending upon the amount of moisture present, so the speed will be affected. The instrument effectively compares th velocity of sound in air with that in steam.

A fluidic-oscillator is positioned in the exhaust flow and this emits a tone. The frequency as detected will vary according to the ratio of steam to air and with this measurement it is possible to compensate the exhaust flow electronically.

With AML it is now possible to measure the moisture content of the air at higher temperatures and with a greater accuracy than before.

The AML will withstand temperatures up to 250 degrees C (480 degrees F) and the standard range covers from 0 to 30 per cent moisture, although there is a modified version that offers a range from 0 to 100 per cent.

Through an electronic control that operates gear motors the dampers and exhaust fans will be controlled to maintain the most efficient operating conditions.

● DATA PROCESSING

Fact-finding lines busy

THE USE made of Dialog, Lockheed's computer-based reference and abstract service has more than doubled in the last year and there are now 90 databases available for access containing some 25m items.

Among the databases added to the service during this year from the UK alone was that of the Printing Industries Research Association (PIRA); early next year the reference of BHRA (hydromechanics) and rubber and plastics (RAPRA) will be added to the giant database run by Lockheed at Palo Alto, California.

Access is made to the computers by means of a small keyboard similar to that used in banks, and subscribing companies are connected via a national PTT node to lines to the U.S.

To cope with the additional 9,600 megabytes of storage that became necessary during the year (the total is now 24bn bytes) and to improve access through the Telenet and Timeshare networks that the user employs, a new IBM 3032 has been added to the complement of computers.

An interesting aspect of the Dialog service is that although the database store and computers are in the U.S. considerable demand is made from that country for the information contained on the many databases that originate in the UK: in terms of the two-way flow of money involved, the balance is in favour of the UK in the ratio 4:3, Lockheed asserts.

About 120 of the 1,500 users of the system in Europe met earlier this week to listen to case histories and to talk to the executive staff of Dialog.

Dr. Roger Summit, Lockheed director responsible for Dialog, asked what effect Euronet — due to become operational next year —would have on the service, said that it would depend on the quality of the network and to what extent non-European based computers would be "allowed in."

Further details from 1 Falconberg Court, London W1V 5FG.

● COMPONENTS

Senses machine movement

TOUGH industrial and mining conditions have been borne in mind in the design of a sealed radar unit that will detect the movement of metallic or non-metallic materials or machinery up to one metre away from its sensing diaphragm.

By registering the difference between radar returns from a fixed field and one with a moving object within it, the unit generates a signal to close a pair of contacts and initiate an alarm. The contacts will remain closed over a pre-set time period variable between two and 60 seconds.

A sensitivity control can be set to cover a wide range of movement and the unit, known as the WMS06, is housed in a welded steel case which is both dust and damp proof. A 12-15 volt DC supply is required: the relay contacts can carry 75 amps at 45 volts. Operating temperature range is 0 to 30 deg. C. and the unit is intrinsically safe.

William McGeoch and Co. (Birmingham), 124, Electric Avenue, Witton, Birmingham B6 7DZ (021-328 0940).

● NAVIGATION

Improves the echo

A RADAR transponder developed by Microwave Associates is claimed to be free from the spurious echo clutter and other problems often associated with marine radar responder beacons (racons) that employ frequency swept reply transmitter oscillators.

The new device works in an "on-frequency" mode: it responds to interrogation pulses from standard marine radars with power-enhanced echo pulses, each exactly on the frequency of the interrogating radar.

The company asserts that with this device the likelihood of any ship receiving false echoes stimulated by another ship's radar can be regarded "as negligible" even in heavy traffic conditions.

Apart from a small fixed range correction to allow for the delay in the transponder, the enhanced echo appearing on the radar screen always gives a true indication of the racon's relative position.

Woodside Estate, Dunstable, Bedfordshire LU5 4SX (0582 605012).

City advice wanted on company structures

BY ANDREW TAYLOR

THE Government plans to ask City institutions whether major British companies should be required by law to appoint non-executive directors and U.S.-style audit committees, Mr. Robert Maclennan, Under-Secretary for Prices and Consumer Protection, said yesterday.

Depending on the outcome of the talks and other discussions, these two proposals, currently tabled as amendments to the Companies Bill, may be incorporated in the Bill when it reaches the report stage.

Mr. Maclennan (left) told a standing committee yesterday that the Government was prepared to listen sympathetically to the amendments—tabled by Sir Brandon Rhys Williams (C Kensington)—but first wanted a wider debate on the subject.

Mr. Maclennan hoped that a number of City institutions and *other interested bodies would* take part in "wide-ranging consultations" with the Department of Trade on these issues in the *next few weeks.*

Sir Brandon Rhys Williams said that, in view of the Government's position, he would withdraw the particular amendments at this point and present them again in revised form at the *report stage.*

Sir Brandon is proposing that all companies with net assets of *more than £100m and employing more than 10,000* workers would have to appoint audit committees containing at least three non-executive directors.

He has estimated that this might apply to 250 British companies but says that he might revise these qualifications by the *report stage so* that they would apply to fewer companies.

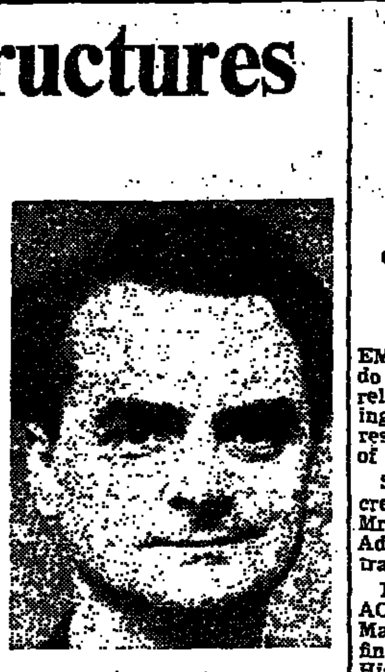
Yesterday however the standing committee was mainly *debating Sir Brandon's further* amendment, which would require all large companies to appoint at least three non-executive directors. This proposal was attacked by both Labour and Conservative MPs.

Mr. George Robertson (Lab., Hamilton) said that he was concerned that the amendment would cut across proposals currently being *considered under* industrial democracy legislation.

Mr. John Wakeham (C., Maldon) questioned the availability of worthwhile qualified non-executive directors to fill the posts needed under such legislation—particularly as he thought several none-executive directors would resign as a result of clauses in the Bill dealing with insider dealing and disclosure of *information.*

Mr. Maclennan, however, said that the Government was favourably disposed to the development of the non-executive directors' role.

Meanwhile, the City Company Law Committee *has welcomed* the aims of clauses in the Companies Bill dealing with insider dealing but has reservations that *legislation would expose individuals* who were "neither dishonest nor abusing a position of trust" to criminal prosecution.



Industrial laws 'put judges in difficulty'

BY PHILIP BASSETT, LABOUR STAFF

EMPLOYERS AND trade unions do not believe that *industrial* relations disagreements, including union recognition, can be resolved by the courts, the Court of Appeal was told yesterday.

Some terms of labour law were creating difficulties for judges, Mr. Henry Brooke, for the Advisory, Conciliation and Arbitration Service, said.

He was *opening an* appeal by ACAS before Lord Denning, Master of the Rolls, against a finding by Mr. Justice May in the High Court that the service had "misdirected itself in law" in failing to recommend recognition, despite strong support, of the non-TUC affiliated United Kingdom Association of Professional Engineers at APE-Allen, *a Bedford engineering company.*

An ACAS report, declared void by Mr. Justice May, refused to recommend recognition of the association after it submitted a claim under Section 11 of the Employment Protection Act.

The report found that 79 per cent of the staff the association wished to organise supported the claim.

The appeal, which has effectively frozen recognition work in similar areas, is considered crucial *to the sensitive area* of white-collar union recognition, particularly in engineering.

Mr. Brooke said that bodies on both sides of industry who were involved in resolving differences were not coming before the courts with this type of case, where several different unions were involved.

It was a grave disadvantage that the courts could hear *only* ACAS and the union directly involved. Hearing only two parties created a dilemma for judges.

'Mistaken'

Lord Justice Lawton, one of three judges hearing the appeal, said that the answer was to get *the Act changed, not* to complain that the courts could not judge the cases.

Mr. Brooke said that the assumptions on which Mr. Justice May's judgment was based were "wrong and mistaken."

"When he was weighing up whether ACAS should have done what it did, it is my submission that, perhaps *through no fault* of his own, perhaps through the fault of counsel, the judge did *not have* the same knowledge of the subject matter that ACAS had."

Mr. Brooke, who appeared for ACAS before Mr. Justice May, said: "It was unfortunate that a judge with little experience of industrial relations matters was being asked to understand the extraordinarily complicated issues which go to make up collective *bargaining in industry.*"

Lord Justice Lawton, who pointed out that Mr. Justice May had many years of experience at the Bar dealing with industrial accidents and other matters, said: "You seem to be suggesting that Mr. Justice May was not capable of dealing with the case."

Mr. Brooke replied: "What I was suggesting was that the courts hear only two sides."

Mr. Brooke said that ACAS *would claim that its function* was to promote improvements in industrial relations. Even if one section of an industry wished to be represented by a union of its choice, ACAS would still have a duty to do that.

The hearing resumes today, and could last several days.

Queen's visit to Iran in doubt

THE PRIME MINISTER told the *Commons yesterday* that he would not advise the Queen to go ahead with her visit to Iran next February if conditions there were as bad as they are at present.

Last night, a Buckingham *Palace spokesman commented:* "The Queen is advised by her ministers on these occasions. Until such advice is received, the visit goes ahead."

The Queen is due to visit Iran from February 28 to March 1 *as part of her Middle East* tour. She will travel on the royal yacht Britannia and will be accompanied by the Duke of Edinburgh.

Mr. Callaghan was answering a question from Mr. John *Watkinson (Lab Gloucestershire W),* who asked whether he would be discussing the Iranian visit in his audience with the Queen last night.

Mr. Watkinson thought that the visit would be entirely inappro*priate in the present turmoil* in Iran. He was also worried that it might be interpreted as buttressing the Shah's regime.

The Prime Minister, however, did not agree with this. Such visits, he said, were a matter of inter*state relationships and did not* signify the official backing of particular regimes.

Mr. David Stoddart (Lab., Swindon) suggested that the Government should change completely its policy towards *the Shah and his Government.* Clearly, the present regime in Tehran did not have the support of the people of the country, he declared.

But Mr. Callaghan refused to make further comment on the *grounds that any opinions* expressed from the Despatch Box would not help the present situation in Iran.

MPs demand better pay and conditions

BY ELINOR GOODMAN, LOBBY STAFF

MPS' long-simmering dissatisfaction with their pay is beginning to manifest itself again on two fronts.

The Labour Party's Parliamentary affairs group has asked for a special meeting today with Mr. Michael Foot, the Leader of the House, to discuss what is recognised to be a very sensitive question for the Government, given *its* commitment to the 5 *per cent wages policy.*

At the same time, well over 100 MPs, mainly Labour, have signed a letter to Lord Boyle's Top Salary Review Board calling for action on both pay and terms of employment.

In the letter, sent in response to a questionnaire from the Re-Review Board, however, the MPs ported the idea of linking their salaries to those of senior civil servants. They have also argued the case for better redundancy terms and a more flexible pension scheme. Acceptance of the package would certainly mean a pay increase of more than 5 per cent.

In July, when MPs were given a 10 per cent pay increase, the Government announced that it was asking Lord Boyle's committee to undertake a further review of Parliamentary pay and *related issues.*

This followed the almost unprecedented support attracted by a backbench motion calling for the early implementation of the committee's last recommendation.

The motion was never formally debated in the House but the 300-plus signatories to it showed a widespread concern about the way Members' salaries had fallen *behind* those of other professions over the years.

Announcing the inquiry, the Government said that the committee would pay particular attention to the question of linking MP's pay to that of senior civil servants.

The idea of linking MPs' wages *to those of some other profession* as a means of avoiding the embarrassment of being seen to award themselves a pay increase has been around for some time and received the support of the House in 1975.

But it is opposed by the civil service unions on the grounds that they do not want their wages dragged any *further* into the political arena.

In the letter sent to the Review Board, however,t he MPs have come down firmly behind the proposal to link their pay to that of assistant secretaries. This would mean a considerable *increase* on their present rate of £6,897.

The signatories to the letter have also argued that the present redundancy terms for MPs should be improved.

They want MPs who are either *defeated in elections or lose* their seats through re-distribution to get one month's salary for every year of service instead of the present three *months'* maximum redundancy payment.

The MPs, who have been co-ordinated *in their response by* Mr. Michael McGuire, the Labour member for Ince, also suggested that the qualifying period for pensions should be reduced and that the scheme should be made non-contributory.

In the debate on MPs' salaries last July, Government Ministers indicated that they understood the concern about the way Members' salaries had fallen behind over the years. But they refused to give any definite commitment to implementing the Review Board's findings.

The debate also showed that, *while most speakers regarded* the present salary levels as unsatisfactory, there was by no means total agreement on how the situation should be remedied.

The differences of opinion may well manifest themselves again at today's *meeting* of the Parliamentary Affairs Group.

Benn evades Tory hunters

By John Hunt, Parliamentary Correspondent

UNTIL A few years ago, Benn-bashing was one of the favourite pastimes of the Tory Party. It did not require much skill. The rawest of Conservative backbenchers could pick it up in a matter of *days.*

Every week, without fail, Mr. Anthony Wedgwood Benn, *would obligingly provide* Tory Central Office with fresh ammunition.

From public platforms or from his position as Industry Secretary on the Labour front bench, he would come out with a string of *radical* new proposals to chill the spine of the average Tory party follower.

Then things suddenly changed. Prime Minister Wilson decided that enough was enough and moved Mr. Benn to the Department of Energy where he could do less damage.

Mr. Benn also changed his tactics. He decided to lie low and the string of pronounce*ment, bringing joy* to the Tories and embarrassment to his own leadership, dried up.

All of this made Benn-bashing far more difficult. In fact, it became almost extinct.

This week, however, connoisseurs of the sport had noted encouraging signs of revival sparked off by the *leakage of the sweeping Left*-wing proposals in Labour's draft manifesto now being drawn up in Transport House.

And, to the delight of the Tories, behind all these proposals lurked the shadowy figure of Mr. Benn who, as chairman of the Home Policy Committee of the NEC, has *been playing* a leading part in the battle over the manifesto.

In the Commons yesterday, Mrs. Margaret Thatcher, leader of the Opposition, decided that the opportunity was too good to pass up.

She reminded the Prime Minister that Mr. Benn was now calling for substantial measures of further nationalisation, the cutting of tax relief on mortgages, further state control of pension funds and *the abolition of* the House of Lords.

Candour

As Mr. Callaghan, "in one of his rare flashes of candour," had said he was in favour of abolishing the Lords, she wanted to know which of the other proposals he supported.

It soon became apparent, however, that candour was the last thing the House was going to get on this occasion. Mr. Callaghan observed that the question was totally pre*dictable. He was continually* getting advice from all quarters, even from Conservative newspapers.

"Answer, answer," bayed the Conservatives.

Well, said Mr. Callaghan, if they really wanted to know, all they had to do was to write to Transport House and ask.

"Totally predictable," snorted Mrs. Thatcher. The only difference between Mr. Benn and Mr. Callaghan was that the Energy Secretary openly discussed the true objectives of the Labour Party *while the Prime Minister* tried to conceal them.

At this point, a Labour left-winger, Mr. Bryan Davies, suggested that the Prime Minister—who had fired the gun of attack on an army range the *previous day—should now* "turn the howitzer of the radical Labour Party manifesto" on the Tory benches opposite.

Politely, Mr. Callaghan declined this alarming suggestion *but assured Mr. Davies that* all the manifesto proposals "would appear in due course."

Throughout these exchanges, Mr. Benn was conspicuously absent from the Government front bench. Once more, the quarry had *escaped the Tory* pack.

With Parliament recessing for Christmas at the end of the week, the closed season for the sport is now at hand for Mr. Benn. But despite their lack of *success yesterday* it is safe to predict that Mrs. Thatcher and her followers will be hot on his scent again when the House re-assembles in January.

Michelin withdraws pay offer after 'conditions' snub

BY NICK GARNETT, LABOUR STAFF

MICHELIN has withdrawn its pay offer, worth a minimum 9 per cent on earnings, following union refusal to accept changed working practices linked to the proposals.

The offer covered 8,000 manual workers, some of whom had apparently been prepared to accept the money but not the conditions attached to it. But officials of the Transport and General Workers' Union, which represents the labour force, have been pressing for improvements in the money package.

The proposals involved the "reinstatement" of a 3 per cent supplement, which according to the Employment Department should be offset against the 5 per cent guideline, together with a further 6 per cent.

On top of this overall 9 per cent, the company had also offered an extra 2½ per cent next year if performance justified the payment.

New *working* practices linked to the proposals included changed holiday patterns and different working around break times. These changes, the company said, were necessary to improve performance and, therefore, justify the deal both in terms of the company's ability to pay and the Government's pay policy.

The changes the company wants would involve increased production, lower absenteeism, and tighter adherence on the part of the workers to existing disputes procedures.

A new pay agreement should have been signed by December 5, but the company is prepared to re-open negotiations, providing the workers lift their overtime ban imposed in opposition on the strings attached to the offer.

Any settlement at Michelin is likely to have widespread implications in pay negotiations for the rubber industry's total workforce of 45,000 in companies like Goodyear, Dunlop and Firestone.

Bank union merger proposed

By Our Labour Staff

A PROPOSAL for the National Union of Bank Employees to merge with Mr. Clive Jenkins' Association of Scientific, Technical and Managerial Staffs has been made by one of ASTMS' senior officials.

Mr. Tony Westhead, secretary of the ASTMS section within Midland Bank, claims that a single union for all staff in insurance and banking is a necessity.

Such a merger would be a catalyst for further union growth, Mr. Westhead writes in the ASTMS journal Finance News. It would also involve a merger of the non-TUC affiliated staff associations with ASTMS.

The proposal reflects the union's general philosophy, although there is no *formal* agreement on the executive as to how a single union for banking and insurance would be brought about.

The article follows the Johnston inquiry into banking unions, which proposes a single union body for the clearing banks which would be part of an umbrella body affiliated to the TUC. The ASTMS sections within Midland were not included within the proposals.

Mr. Westhead says the Johnston proposals would be a recipe for repeating the ill-fated Association of Bank and Financial Unions.

Neither ASTMS nor NUBE can trade membership with each other, says Mr. Westhead, and the only solution that would meet the interests of bank staff would be a merger of the two unions.

TUC sanctions 'not in national interest'

THE GOVERNMENT'S reasons for not applying sanctions against the TUC for breaching the 5 per cent pay guidelines with a pay deal for its own staff were *explained in the Commons last-*night by Mr. Joel Barnett, Chief Secretary to the Treasury.

He was asked by Mr. Norman Tebbit (C. Chingford) why the Government considered it would not be in the national interest to withdraw Government financial aid to the TUC as a sanction following its breach of the pay limit.

Mr. Barnett replied: "The only payments made to the TUC which the Government could legally *withhold are small* amounts of money which the TUC receives to run courses for overseas trade unionists as part of the capital aid programme, and to communicate the industrial strategy.

"The main effect of withhold*ing these payments would be to* affect adversely the aid programme and the industrial strategy and I do not think it would be in the national interest to do either."

Replying to a further question from Mr. Tebbit about a pay agreement by the Transport and *General Workers' Union with its* employees which appeared to breach the pay guidelines, Mr. Barnett said that Mr. Booth, the Employment Secretary, was seeking details of this settlement from the union.

Questioned about the likely cost of sanctions on the Ford motor company, Mr. Barnett gave an assurance there was no question of withdrawing Government orders already placed with the company.

No tenders from the Ford motor company for running contracts had been received since the application of discretionary action.

"It is not possible to estimate accurately how many Ford *vehicles would have been bought* over the next year if discretionary action were not being taken."

Canals closure warning

BY LYNTON McLAIN

THE British Waterways Board will be forced to close part of its canal system if union pay demands are not met, Sir Frank Price, chairman of the Board, told the Commons Select Committee yesterday.

Supervisors working for the Board claim that anomalies since *pay restraint started three years* ago have left them with less money than BWB manual staff.

Action by the men has already lowered canal water levels. In the South West, the drop in levels has forced up freight rates for grain, as the 5,000 ton vessels used on the Gloucester Sharpness Canal have had to be replaced by 1,300-ton vessels.

The pay code restriction preventing the Board meeting the *employees' claim has also hit* a £10m programme of urgent repairs.

The money *was allocated by* the Government 13 months ago. Not a penny has been spent and Sir Frank told the Nationalised *Industries Committee that* Mr. Denis Howell, Environment Minister, had told the Board that unless work was started by March 31 the BWB would lose the first £5m.

Mr. Russell Kerr (Lab Hounslow, Feltham and Heston), committee chairman, said the Government reply to its report on the BWB, published in March, had been entirely unsatisfactory.

Sir Frank said the Board would wait until January after a meeting requested by the unions had taken place at the Advisory, Conciliation and Arbitration Service.

But if thebre was no progress on meeting the supervisors' claim for special treatment, the Board would take matters into its own hands, Sir Frank said. This would probably mean the start of mass redundancies.

Disputes statement wanted

BY IVOR OWEN

MPs CALLED on the Government in the Commons last *night to ensure that a ministerial* statement is made about the disputes in the newspaper industry before Parliament adjourns for the Christmas recess on Friday.

Mr. Max Madden (Lab., Sowerby) praised the initiative taken by Mr. Albert Booth, the Employment Secretary, in inviting the parties to the dispute which has stopped publication of The Times and its associated newspapers to a meeting under his chairmanship.

But he stressed the importance *of MPs being given an oppor*tunity to question Mr. Booth about the outcome of the meeting and the prospects for achieving a settlement.

Mr. Madden described the strike by the provincial members of *the National Union of Jour*nalists as "very serious."

Mr. Madden said an early statement by Mr. Booth on the dispute should cover the Government's attitude to the proposal by the employers—*the Newspaper Society—that* they should be permitted to grant pay increases in excess of the 5 per cent guideline.

Voting adjustments

BY RAY PERMAN, SCOTTISH CORRESPONDENT

AN ALLOWANCE of at least 5 per cent on the turn out figure for the devolution referendum on March 1 must be made to ensure a fair result, the Scottish National Party said yesterday.

An amendment to the Scotland Act, by MPs hostile to devolution, means that not only will there have to be a majority in favour before a Scottish Assembly can be established, but that the majority will have to be at least 40 per cent of the total electorate.

This means that people on the electoral register who do not vote will effectively have voted No.

The Government *has already* said it will make an allowance of 2.5 per cent in assessing the size of the total electorate. This *will cover those who have died* since the register was compiled, young people who have not reached 18 by the time the referendum is held and people in prison.

A further allowance is to be made for students, who can register both in their home town and at college, but can vote only once.

Mr. Stephen Maxwell, who will direct the SNP's referendum *campaign in favour of a Yes vote,* said that the Government's provisions did not cover foreign people on the roll, holiday home owners who could be on the roll twice or whose first home could be outside Scotland, and people who had moved or emigrated since the register was compiled.

In this last category there could be as many as 100,000 *people.*

He said that the British electoral system was not designed to achieve precise mathematical *results. Even the Government's* statistical service had indicated a 2.5 per cent allowance would be inadequate.

Crane drivers to hear new port work plans

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

CRANE DRIVERS at the Porth of Southampton will tomorrow hear a new set of proposals to bring their working conditions in line with other port workers.

The drivers are adhering to a single-shift system supplemented *by optional* overtime while the rest of the port works a three-shift, seven-day week. This has led to regular complaints from shipping lines using the port.

The drivers' refusal to work overtime at the weekend was blamed for the sudden decision of the Ace container line consortium to drop Southampton from its schedules in favour of an operation based on Rotterdam and Le Havre, using Felixstowe as a feeder port.

Ace has since said that the change was not directly related to Southampton's persistent industrial relations problems.

● United States Lines is transferring its Scottish operation from the Clyde to Grangemouth on the Forth. The line said the change would give it a better position to serve the entire Scottish market.

Alpine output resumes

CHRYSLER ALPINE car production will resume today after a week's stoppage with nearly 2,000 men who had been laid off being recalled and a pay grievance going to arbitration.

The wage dispute involved seven men in the trim shop. One of them complained about new duties which he said meant *working much harder.*

Six colleagues argued his case but they lost three hours' pay. When the management refused to award the lost money, the 150 trim shop men walked out.

The rest of the hourly-paid work force had to be sent home but *yesterday* afternoon the strikers accepted a shop stewards' recommendation that the lost *pay grievance should go to the* Advisory Conciliation and Arbitration Service.

Bread concerns say half their men are back

By Our Labour Staff

THE BIG BREAD manufacturers claimed yesterday that half their employees were now back at work even though a five-week official pay strike has not yet been called off.

The Federation of Bakers said that 13,000 workers, members of the Bakers, Food and Allied Workers Union, had gone back, and that production—which has *been affected much less* than expected—was virtually normal.

Employers are now expecting the result of the union's ballot on their improved 14.4 per cent pay and productivity offer to be announced today after a meeting *of the union's national executive* committee.

Scrutiny of the proposed deal *by the Department of* Employment will start if the ballot shows the offer is acceptable.

Shift work risks 'exaggerated'

BY DAVID FISHLOCK, SCIENCE EDITOR

SHIFT WORK *is* much less detrimental to health than is often portrayed, according to a study by the Health and Safety Executive, responsible for the health of people at work.

Shift workers—one-fifth of the *workforce in developed coun*tries—neither die younger nor have worse health records than day workers, although they may *suffer* from more stomach upsets.

But about one in five of those who start shift work are unable to continue, for a variety of reasons, many of which are social rather than medical. The ideal prerequisites for happy shift work seem to be good housing, a small family and a happy marriage.

These conclusions are reached in a critical review of world literature on shift work undertaken by Dr. J. M. Harrington of the TUC *Centenary Institute of* Occupational Health in London.

Dr. Harrington reviews 140 studies of shiftwork, mostly in Europe and the U.S., and finds that many adverse effects have been alleged—but most have been challenged by other researchers.

Nor is shift work so new—tending sheep, guarding a castle or tollgate, baking bread, as well as being a scholar, are long-established examples.

Dr. Harrington believes that there is a need to try to identify those who appear unable to cope with shift work, so that they might be discouraged from ever attempting it.

But repetitive work, he concludes, seems more likely to cause accidents, fatigue and poor performance under shift work than brainwork expressed with a high degree of motivation.

Women, moreover, do not appear to fare worse than men on shift work — in fact they adapt readily.

Dr. Harrington says that two main points are evident from the body of literature from which he draws his conclusions. One is that much of the research *reviewed has been academically* sloppy. The other is that too little is known about the demands which shift schedules impose on the worker, and his capacity to adapt.

About 20 per cent of workers do not like shift work, the majority merely tolerate it, and only about 10 per cent actually like it. Shift work clearly disrupts normal social and family life, says the study, and employers must therefore make a positive move towards improving social conditions.

Shift Work and Health: Critical Review of the Literature. Health and Safety Executive, SO, £1.

Holidays attack

A succession of Tory MPs attacked the Government for proposing that the Parliamentary Christmas recess should extend over a period of 31 days to January 15.

Mr. Kenneth Baker (C St. Marylebone) accused the Government of embarking on a policy of "survival through holidays."

He suggested that the strategy behind the proposal was to create a half-time Parliament *for a half-time Government.*

Mr. Baker said: "The Government is cynically sending us *back to our constituencies* because it knows it is the only way it can survive."

Campaign recess

By Richard Evans, Lobby Editor

PARLIAMENT IS to have an additional week's recess at the end of February to enable MPs to fight the devolution campaigns in Scotland and Wales.

A motion on the Commons Order Paper yesterday proposed that MPs should return from the Christmas recess on Monday, *January 15, a day earlier than* announced, and that there should be a further recess from Friday, February 23, to Monday, March 5.

Committed supporters and opponents of the Government's devolution proposals have been pressing Ministers to arrange the recess

Self-help bus guide

THE Department of Transport has published a guide to help *rural communities where public* transport is rudimentary or non-existent and where people want to take *some* initiative themselves, Mr. John Horam, Under-Secretary in the Department, said yesterday.

In answer to a written Parliamentary question from Mr. John Watkinson (Lab, Gloucestershire, West) the Minister said:

The guide offers practical advice on how local groups should analyse their problems and describes possible solutions.

Atlantic video link

By John Lloyd

THE FIRST transatlantic video link to use optical fibres—hair-thin glass fibre strands through which telephone and video messages pass as pulses of light — *was made yesterday* between a studio in London and one in Toronto, Canada.

The main link was provided by an Intelsat satellite, which carried the signals across the Atlantic.

The link marked the beginning of a two-year experiment by Bell Canada, the major Canadian telecommunications company, of an optical fibre system serving a number of residential customers.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

When a famous name can become a handicap

PITY THE company which is so successful that its trade mark becomes the generally accepted name for a particular type of product, no matter who made it! (Cellophane, aspirin and linoleum are three examples.) Its success is likely to stir the competition authorities into punitive action.

This appears to be the implication of action taken in the U.S. by the Federal Trade Commission, which is trying to get the 32-year-old *Formica* trade mark cancelled or restricted, on the grounds that it has become the generic name for decorative plastic laminates. Needless to say, the manufacturer is hotly disputing the FTC's authority to make this particular challenge.

Writing in "European Intellectual Property Review," a new monthly journal* Karen J. Schulman reviews the arguments of the two parties in the dispute, the FTC and Formica Corporation, a subsidiary of American Cyanamid Corporation.

She then advises the makers of other successful products how to avoid a similar attack from the *official guardians of* competition law.

Protection

Apart from *obvious* points, such as protecting one's trade mark against infringement, the author has several suggestions about how to discourage its gradual development into a generic term:

● Always separate the trade mark from the product's name, and use it in conjunction with the actual generic name.

● Both the trade mark and the product name should be printed together on all labels and advertisements.

● A continuing effort should be made to prevent the appearance of the trade mark in incorrect grammatical form or in lower case type. It should always be used as an adjective and not as a noun or a verb.

● Care should be taken to ensure that a trade mark's distinctiveness is maintained. One way of achieving this is to use the same mark for diverse products, so it develops into a "house" mark, rather than the common name of one particular product. The author cites the present marketing scheme for Vaseline products as one example of this approach.

One of the aims of the new journal is to emphasise the commercial importance of intellectual property. It is claimed to be the first UK journal to be devoted entirely to all aspects of the subject. It sees intellectual property law as embracing not only the statutory "monopoly" rights of patents, copyright and trade marks, but also the protection of trade secrets and "unfair competition."

The first two issues (November's has just been published) have a strong legal emphasis, but future issues are intended to "bridge the gap between practice and law" by including articles on such subjects as technology transfer, and the financing of inventions.

** Published at £85 per annum by ESC Publishing Ltd., 14, Suffolk House, 265, Banbury Road, Oxford OX2 7HN.*

David Fanning looks for a solution to the added value controversy

Banishing confusion from the added value equation

One of the "management fashions" of 1978 has been added value—either as a tool for management control, or as a basis for employee payments schemes.

In all the discussion about the use (or misuse) to which companies' added value statements can be put, the most basic question has generally been ignored: how should such statements be formulated, particularly on the highly sensitive "distribution" side of the equation?

This article analyses current practice, and suggests how a realistic consensus might be reached.

WHEN the advocates of added value statements in company reports cannot agree on how the cake is being divided up at present, it is not surprising that there is so much debate about the *ideal* four-way division of added value between a company's employees, its shareholders, its reserves, and the government.

More and more companies are producing added value statements. But their format and content vary widely, as do the accountancy profession's views on the validity of some of the underlying concepts and the propriety of certain specific practices—such as including depreciation as an application of added value.

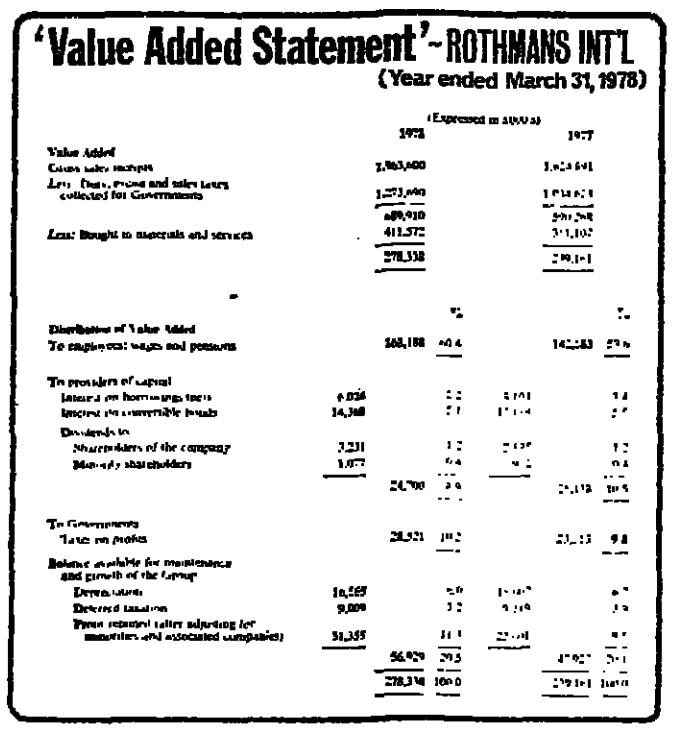
Though the concept has been widely discussed for decades, it is only in the last few years that it has become familiar to most company managements.

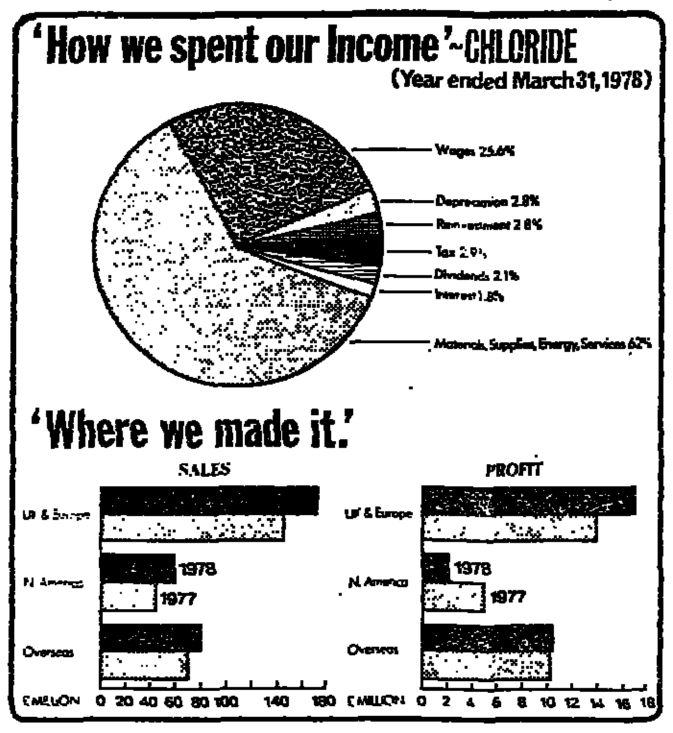
In favour

In its consultative document "The Future of Company Reports" (Cmnd. 6888) in July, 1977, the government came out strongly in favour of audited added value statements being published by listed companies. Proposals for an added value statement had been endorsed by the Accounting Standards Committee (ASC) in its July, 1975, discussion paper "The Corporate Report" and a pro forma layout was recommended. The government recognised that the detailed requirements for such a statement would need to be introduced in the form of an accounting standard, but announced its intention to require companies to prepare the statement as part of their audited accounts.

An examination of the annual accounts of 150 leading companies showed that about a third publishes an added value statement in a full and more-or-less standard format. Of the remaining two-thirds, a number provide this information only in the simplified supplementary reports produced for employees.

The statements come under a variety of names ("value added," "wealth created," "where the money goes," and so on) and use a number of presentations (tables, graphs, pie charts, pictures, etc.). Two recent examples, from Chloride Group and Rothmans International, typify the widely differing approaches of British companies (with marginal amendments they are shown in the illustrations).





There is not much that causes dispute about the method of estimating the amount of wealth created. This is usually a fairly straightforward sum, with all but a small minority of firms calculating the value added by taking sales (excluding VAT), less the full cost of purchased goods and services, and any customs and excise duties paid.

This figure is increased by any share of the profits of associated companies and any financial income (investment income, for instance). The overall figure gives the available added value figure for the company.

It is in the classification of the distribution or retention of that added value that the disagreement arises, and it is the application of added value that produces the most confusion and paves the way for misunderstanding of a company's performance and future viability.

Most statements of added value application contain four categories (although some companies describe them differently or more numerously) as follows: to pay employees; to pay government; to pay providers of capital; to provide for the maintenance and growth of the business.

Within each broad category, there is considerable room for manoeuvre and there are differences in opinion as to which constituent items should be included.

Applying the most commonly used definition to the "disposal" of added value by UK companies, around 67 per cent goes to employees in the form of pay, pension and social security contributions. A further 9 per cent is paid to the government in taxes on profits, with 9 per cent going to the providers of capital as interest and dividend payments. Some 14 per cent is retained in the business, as depreciation provisions and reserves.

However, a number of companies show employees' income tax and social security deductions in the figure given as payments to governments, and show only net pay under payments to employees. This produces a very different breakdown in some cases: around 40 per cent of added value going to government, and about 37 per cent to employees.

One reason for disagreement about this latter practice is that it could fairly be argued that the payments on behalf of an employee are part of his personal money exchanges with the government, rather than the firm's. With considerable justification, some firms include under the "to pay employees" heading the full cost of employee-related benefits (canteen costs, sports subsidies, educational assistance, etc.). The statement ought clearly to distinguish such payments, however.

Taxation

The second category, "to pay government," frequently includes only the tax payable to the government on the profits of the year. It is recommended by the ASC, and many accountancy firms, that taxes such as excise duty or (confusingly enough) value-added tax should not be included under this heading, but netted out against sales before the added value total is calculated.

This recommendation rests on the argument that the "to pay government" part of an added value statement is not intended to be an account of a firm's money exchanges with central government and local authorities. As well as income taxes and national insurance contributions, such an account would cover such items as rates, import duties and VAT. As in the case of Marks and Spencer, for example, the company's financial relationship with central and local government may be outlined in a separate supplementary statement.

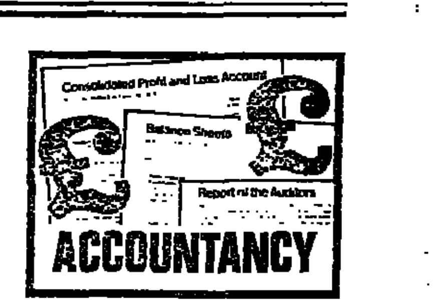
Deferred taxation provisions are usually included in the fourth category, since it is argued that those amounts can be used in the business for some time and may in fact never be paid over to the Government.

Under the heading "To pay providers of capital," there customarily appear two separate items: the amount paid as interest on loans and overdrafts, and the amount paid to shareholders as dividends on preference and ordinary stocks.

The fourth category relates to added value retained in the business, although the phrase "To provide for the maintenance and growth of the business" or some appropriate variation may be thought more informative.

Under this umbrella stand four applications: the amount set aside for deferred taxation, the amount set aside for depreciation, the amount retained as reserves attributable to parent company shareholders, and the amount retained as reserves attributable to minority shareholders.

There are specific areas of concern relating to this final category, including the treatment of the profits retained in associated companies, of exchange differences, and of extraordinary and exceptional items, but the one which has aroused most disquiet is that of the treatment of depreciation as a valid application of added value.



While it is true that depreciation charges are a cost in arriving at an undertaking's profit, it can be argued that depreciation is an amount retained in the business towards the replacement of assets and as such is an application of added value rather than a reduction in the amount of added value. On the other hand, depreciation represents the using-up of assets in the satisfaction of customers' needs and might properly be regarded as an input cost. Capital expenditure is financed from applications of added value, with the providers of capital being remunerated out of the current year's added value.

What the depreciation question highlights is the confusion created in the mind of the "layman" and others by the ambiguity and inconsistency found in published statements of added value and by the varying degrees of departure from the ASC's albeit sketchy pro forma statement.

Clear need

What is needed if the added value statement is to fulfil its declared aim of assisting interested parties to understand more fully the financial affairs of a business? The overriding need expressed by the preparers and users of financial accounts is for a clear and speedy resolution of the matter by the ASC. The ASC has indicated that it will produce an exposure draft for discussion and follow this with a full accounting standard, and it has also commissioned research into added value statements. Meanwhile the Stock Exchange has intimated that it may well require listed companies to include an added value statement with their audited accounts.

The government's legislative programme being what it is, very little parliamentary time will be made available for company legislation and it is probable that any further progress in this area will come from the accountancy bodies and the Stock Exchange rather than from the government.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Foreigners and land

Can an Irish (Eire) registered company hold title to freehold land without the Irish company being registered in England? Likewise, can an Irish national have title to freehold land in England?

The abolition of the mortmain statutes enables foreign companies to hold land in England, although it is often thought convenient to hold through an English subsidiary. Similarly a person domiciled and resident in a country outside the jurisdiction (such as the Republic of Ireland) may own land in England.

A Christmas lunch

It is my practice to entertain my staff each Christmas to a luncheon. Because of my high tax rate the cost of this in gross salary terms is substantial. If I were to forgo drawing salary equal to the cost of the luncheon in December of each year and charge the luncheon to the firm, there would be no cost to the firm but the cost to me would be considerably less. Do you see any difficulties from such an arrangement on the part of the Inland Revenue?

If the decision of your employers to provide a Christmas lunch for the staff were linked with a waiver of part of your salary, it is likely that there would be a schedule E assessment on the amount forgone.

If you are implying that you control the company which employs you, the position is more complex and you should consult the company's accountants.

Irish resident and gilt edge

Could you please let me know, on behalf of a client, the income tax position in regard to an Eire resident investing in British Government Gilt Edge Stocks. Are the Dividends paid without deduction of British Income Tax on any of the British Government Gilt Edge Stocks?

Under article 12 of the Eire-UK double taxation convention of June 2, 1976 (as amended by the protocol of October 28, 1976), a resident of the Republic would normally be exempt from UK tax on any interest on UK government securities, or indeed on UK company loan stocks etc. Except for registered 3½ per cent War Loan and securities on the National Savings Register (including British Savings Bonds), exemption must be applied for: forms are obtainable from the Inland Revenue.

Stock relief valuation

I understand that in valuing stock for relief purposes under the Finance Act 1975, payments received on account (i.e. deposits with order) must be deducted, but I am not clear whether the reverse also applies. For example, at the end of our financial year, we have stock and work in progress against an order which was accompanied by a deposit. To execute this order we had to subcontract some work which entailed us paying a deposit to our subcontractors. Can this deposit be offset against our customers deposit for stock relief purposes?

The wording of the rule has been slightly modified over the years since stock relief was introduced, but the practical effect is the same in most cases:

Finance Act 1975, section 18(9) "... in determining the value of a company's trading stock at any time for the purposes of this section, to the extent that, at or before that time, any payments on account have been received by the company in respect of any trading stock, the value of that stock shall be reduced accordingly."

Finance (No. 2) Act 1975, schedule 10, paragraph 16(4) "For the purposes of this Schedule the value of a person's trading stock at any time shall be reduced to the extent to which payments on account have been received by that person at or before that time in respect of that stock."

Finance Act 1976, Schedule 5, paragraph 29(4) "For the purposes of this Schedule the value of a person's trading stock at any time shall be reduced to the extent to which payments on account have been made at or before that time in respect of that stock."

The company's accountants will be best placed to advise but, since the deposit paid to the subcontractor presumably forms part of the company's "trading stock" figure, the offset should be automatic. If the deposit received exceeds the relevant portion of the "trading stock," the excess is ignored.

*

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

COMPANY NOTICES

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS

The following dividends have been declared in South African currency, payable to members registered in the books of the companies concerned at the close of business on 29 December 1978:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share cents
Interim Dividends,		
Doornfontein Gold Mining Company Limited	44	20
Kloof Gold Mining Company Limited	18	35
Libanon Gold Mining Company Limited	56	50
Venterspost Gold Mining Company Limited	77	15
West Driefontein Gold Mining Company Limited	52	200
Final Dividends:		
East Driefontein Gold Mining Company Limited	11	75
Vlakfontein Gold Mining Company Limited	70	10

VLAKFONTEIN GOLD MINING COMPANY LIMITED. The estimated profit for the year ending 31 December 1978 is higher than had been previously anticipated, and it has therefore been decided to declare a dividend in addition to the repayment of capital of 10 cents per share made to members on 8 August 1978. It is the present intention to consider a further repayment of capital when the audited accounts for the year become available.

Dividend warrants will be posted on or about 5 February 1979.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 29 December 1978 in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 30 December 1978 to 5 January 1979 inclusive.

By Order of the Boards.
C. E. WENNER, London Secretary.

London Office:
49, Moorgate
London EC2R 6BQ.
United Kingdom Registrar:
Close Registrars Limited,
803 High Road,
Leyton, London E10 7AA.
12 December, 1978.

I.C.I. INTERNATIONAL FINANCE LIMITED
7½ Per Cent GUARANTEED U.S. $ BONDS 1978/92

S. G. WARBURG & CO. LTD. announce that the second annual instalment of Bonds to a nominal value of U.S.$3,250,000 have been purchased for redemption on 1st February 1979.

U.S.$45,500,000 nominal amount of Bonds will remain outstanding after 1st February, 1979.
30 Gresham Street,
London, EC2P 2EB.

MOTOR CARS

FOR SALE. Rolls Royce Silver Shadow. First registered 1st August, 1972. Chassis No. SRH 13680. Engine No. 13680. Automatic. Mileage 65,000. Excellent condition. Shell grey with blue upholstery. Personalised number BGT 1. One owner. Offers 01-606 4040. Reference 2767.

CONTRACTS AND TENDERS

SCOTTISH DEVELOPMENT DEPARTMENT
THE LONDON-EDINBURGH-THURSO TRUNK ROAD A9
CHARLESTOWN TO TORE

The Secretary of State for Scotland proposes to invite tenders from experienced contractors for the construction of the above section of Trunk Road in the Highland Region on the Black Isle from Charlestown some 4km north-west of Inverness to Tore some 9km north-west of Inverness.

The construction is of some 6.0km of 7.3m wide dual carriageways with 3.5m verges and a 4.5m wide central reservation, in either flexible or rigid pavement rising from an elevation of 30 metres to over 80 metres above sea level. The scheme includes the excavation of some 465,000 cubic metres of soft material and rock, of which some 250,000 cubic metres is to be used to form embankments together with 60,000 cubic metres of imported fill. Also included is the construction of a reinforced concrete box section underpass 38m long by 5m wide together with retaining walls, side roads, drainage and ancillary works. Approximate cost of the works is £3.7 million. It is hoped to issue contract documents about January 1979 and the contract period will be approximately 24 months.

Contractors wishing to be considered for inclusion in the list of firms to be invited to tender for this contract should apply to the Secretary, Scottish Development Department, NCR Building, 2 Roseburn Gardens, Edinburgh, EH12 5NJ not later than 4 January 1979 quoting reference RUP/30/5/1. Thereafter invitations to tender will be extended to selected contractors and the necessary tender documents and drawings will be issued by Messrs Crouch and Hogg, Consulting Engineers, 18 Woodside Crescent, Glasgow, G3 7UU, stating when tenders are to be returned.

The intention is that tendering should be restricted to firms of proven capacity and experience who at the time will be in a position to submit genuinely competitive tenders. Contractors who because of other commitments or for any other reason do not apply to be considered for these works will not in any way prejudice their eligibility for consideration for future similar contracts.

This scheme is also being advertised through the medium of the Official Journal of the European Communities.

LEGAL NOTICES

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matters of:—
No. 003750 of 1978
NOVAMARL LIMITED
No. 003791 of 1978
M. J. TIMBERS LIMITED
and in the Matter of the Companies Act, 1948.

NOTICE IS HEREBY GIVEN that Petitions for the winding-up of the above-named Companies by the High Court of Justice were, on the 27th day of November 1978, presented to the said Court by the Commissioners of Customs and Excise of King's Beam House, 39-41 Mark Lane, London, EC3R 7HE, and that the said Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 15th day of January 1979, and any creditor or contributory of any of the said Companies desirous to support or oppose the making of an Order on any of the said Petitions may appear at the time of hearing in person or by his Counsel for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same.

G. F. GLOAK,
King's Beam House,
39/41 Mark Lane,
London, EC3R 7HE.
Solicitor to the Petitioners.

NOTE.—Any person who intends to appear on the hearing of any of the said Petitions must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any), and must be served, or if posted, must be sent by post in sufficient time to reach the above-named not later than 4 o'clock in the afternoon of the 12th day of January 1979.

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London Office: 13 Hill Street, W1X 8DL. Tel 01-629 7282

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OFFERS ARE INVITED

For the purchase of the long-leasehold residential interest of Phillimore Court, with the benefit of 8 tenanted flats holding over, and a proposal for the addition of 3 penthouses. Applicants must be prepared to complete by 12 noon 21st December 1978. Time of the essence. Apply: Whitmill Prescott 01-247 7356 36 Elder Street, London E1.

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Really charming period house away from traffic, south of Kensington High St., ideal for family and entertaining. Beautiful 35ft dble. recept. with butler's pantry, dining rm., kit./breakfast rm., 4 beds., bed. 5/study, 3 baths. (1 en suite). Pretty paved garden. Hard standing for 2 cars. Freehold £130,000.
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937-6091

EXECUTIVE FLAT BAYSWATER, London W.2. Beautiful Flat for 2 people. 2 rooms, kitchen and bath. Attractive modern furniture. Near transport and shops. To Let for 6 months or longer. £350 month. Ready Now. 01-580 8081.

PUBLIC NOTICES

HERTSMERE BOROUGH COUNCIL
£600,000 Bills issued on 13th December 1978 at 11.65625%, to mature on 14th March 1979. Total applications £6,000,000. Total outstanding £600,000.

OFFICIAL NOTICE

The loss has been reported to us of the following London Metal Exchange Warrant, and we have been requested to issue a duplicate Warrant:

Warrant No. 229412—10 Bars Silver—BRAND R del M 999+. Weight: 10,476.70 Troy Ounces.

Anyone claiming to be entitled to these goods is invited to enter protest by means of Summons against the delivery of the goods or the issue of a duplicate Warrant.

C. Steinweg, N.V.,
P.O. Box 1068,
Willemskade 20,
Rotterdam 2, Netherlands.

LOMBARD

A new American parallel

BY ANTHONY HARRIS

THE FIRST U.S. sales of foreign *currency bonds this week*—rather more than $1bn worth—are hardly going to change the *whole pattern of international* finance; but as with the earlier U.S. gold sales, observers have *claimed to detect a great* symbolic significance in them. It is partly a moral matter. The U.S. *is said to be facing its* obligations, shouldering part of its own debt, or making a public repudiation of *benign neglect.* If this were all that was at stake, one could simply dismiss it as high-flown language; the U.S. is simply taking a small exchange-rate risk.

However, more substantial effects are claimed for this change of approach. Morgan Guaranty, for example, claim that whereas dollar support through intervention in the exchange markets is inflationary in the countries which have to do the intervening, sales of U.S. bonds in foreign capital markets are actually deflationary. If so, Mr. Blumenthal has discovered a philosopher's stone; for if he can turn U.S. inflation into Ger*man deflation,* he is doing something very novel indeed.

Obstacles

He may at the same time be solving an obstinate problem. Many of the world's reserve holders want to switch out of dollars into harder currencies; but the issuers of hard currencies, notably the Bundesbank, put obstacles in their way. As a result, they get their D-mark assets through the Euromarkets (also supposedly an inflationary process). Now they can buy their D-mark reserves from Uncle Sam. All we need is much bigger issues.

When you consider what has actually changed, there is something very suspicious about these ambitious claims. After all, when the Bundesbank intervenes in *the currency markets,* it could if it wished raise the D-marks required for intervention by *issuing bonds similar to those* now offered by the U.S.

It is no surprise to find that a *simple device like direct issue of* foreign currency bonds has little potential to solve real problems; but the fact remains that in statistical terms, the claims made for the U.S. issues do look solid. Intervention by central banks, issuing their own currencies in return for expanded foreign currency reserves, is an inflation of the monetary base. If the U.S. borrows D-Marks and *sells* them to the Bundesbank in return for some of its dollar holdings, the central bank base is reduced.

How is it possible for two apparently contradictory results to have the same real effect?

The answer is one which is fairly familiar to our own monetary authorities: what the Americans are doing is to create a parallel market. They are getting credit while by-passing bank intermediation; in this case, the intermediation of a foreign central bank.

This process is one which *creates nightmares in* Threadneedle Street, because the authorities suppose that it under*mines monetary control. Suppose,* for example, that a bank lends a lot of money to Company A, *which uses the funds to settle* its bills. This is the classic way in which bank lending creates money. *The lending* adds to the deposits of A's creditors.

Now suppose that Company A borrows from Company B, which is rich in cash, instead of from the bank. The same amount of lending now creates no rise in deposits, since the money to pay A's bills is found by running down B's deposits. Finally, suppose that A wants the money to repay an overdraft. In this case its borrowing from B actually reduces the money supply: the reduction in B's deposit is not replaced by other deposits, but is balanced by a fall in bank assets. In short, when parallel markets are active, the money supply figures don't mean much.

Experience

Or don't they? The Bank of England's view goes back to the habits of thinking of the Radcliffe Committee, in which credit was really what had to be controlled; the growth of money can be regarded simply as a proxy for credit. But according to monetarist theory, it is liquidity rather than credit which is significant, and the difference shown in the figures is in this *respect a real one.* When the Treasurer of B lends money to A he knows very well that it is *not available for alternative pur*poses; it is not just a substitute for a bank deposit, although to *A it is a perfectly good substitute* for a bank loan.

British experience suggests that while credit may be the important number so far as domestic activity is concerned, it is only *bank* credit which matters in the exchange markets. The corset, as everyone knows, does not of itself greatly squeeze would-be borrowers, but it does work wonders for the exchange rate. So perhaps there's some point in cooking the books after all.

Alpine heights in the depths of winter

GARDENS TODAY

BY ROBIN LANE FOX

WET WINTERS are even more dangerous in the garden than *cold ones.* If we have *snow* as well as frost, the snow forms a blanket beneath which your plants are kept reasonably warm. If we have a long frost by itself, I assume that you will have covered your vulnerable plants anyway and that they will mostly have proved themselves in the past. A spring frost is more lethal, in my experience. It catches plants when they are exposed again and beginning to bud or grow. In winter, everybody except British Railmen expect bad weather *and are well prepared* for it.

Drained soil

Wet, however, is more intractable. Three groups of plants, especially, hate it, the silver-leaved plants, the more recherches alpines, and the tap-*rooted border plants, often with* softer and less woody crowns. Anchusa, Acanthus and summer poppy may not last long on badly-drained soil. Plant them, *you may answer,* only in well-drained soil, then. True, but alpines are less easily sorted out. They hate winter wet on their heads. Unless you can put up with those old-fashioned *plates of glass on clips and* holders above their cushions, there is not much you can do to shelter them. Why bother with these things, you may wonder? Because they are often particularly beautiful. They are also well suited to that rising star of our times, the greenhouse, conservatory or cold-frame which remains unheated by courtesy of OPEC.

This is a good time of year to *be thinking over the merits of* a small cold house for alpines. County families have taken once more to their thermal underwear; huskies are poor compensation for the urban, envied gas-line. The gardening classes are freezing in their own cold *houses, so why not extend* an invitation to alpine plants to come and do likewise? Alpines can be brought indoors into under-heated homes where they will cheer you up. They make good use of a greenhouse which you would otherwise abandon to the frost. There is no particular secret to them as long as you watch out for two important points.

If you are going to grow alpines in a cold house, watch out for your pattern of watering. The best grower whom I know thinks that it is really quite simple. Never water alpines in pans on a dull dank day in the growing season. The water hangs around, then, on cushions which dislike it. Choose a bright early morning or late afternoon and water when the plant and the air will cope with the damp quite *quickly. In winter,* water seldom. Do not water your plants overhead.

This might seem an obvious moment to mention the automatic watering-systems, the capillary branches and so forth. For the busy gardener who *grows house plants* these are excellent, of course. But alpine connoisseurs are still wary of them. In winter, certainly, they may keep the pans too wet unless you are vigilant. They also keep the air too humid in summer and bring water to *hand on dull summer days.* A hairy *Androsace* and a greenhouse Primula simply do not enjoy the same conditions. If you want a good alpine house, do the watering yourself. Always *water too little, if in* doubt. It is far, far less dangerous and *kills* a plant more slowly.

The second problem is the sunshine. Indoors in the summer, alpines in pans must be very fully ventilated. The sun can be a curse in summer. Better then, to obscure the greenhouse's glass or to rig up slats or blinds across it so that *the light is broken up: cushion* plants will scorch as quickly as they will rot. Leave the lights and doors open, placing a net across the doorway in order to keep out the cats. Remember that the temperature will soon hit 90°F if you leave the place closed on a busy mid-week summer's day.

Let in the air, then, and *moderate the damp.* There is no need for any heat whatsoever. Instead, you can cover the staging with alpines in pots or wide shallow pans surfaced with *fine* gravel in this way. If your home is under-heated, you can bring the flowers indoors where these are as interesting as any bowl of hyacinths. Small crocuses, wild small narcissi, squills, small iris and fritillaries: these bulbs, for *a start,* are *all best* seen at close quarters where they are safe from mud and rain. Six bulbs in one 4-inch pot *will go* a long way cheaply.

Among cushion plants, the expert will go straight for the challenging Drabas and yellow-flowered Dionysia from Iran, the tight buns of woolly Androsace *and the lovely pale pink clouds* of trumpet-shaped flower on the wild Greek Woodruff. Asperula Suberosa, a superb plant indoors where no water falls on its woolly grey-green leaves. Personally, I go for all saxifrages, especially the tough *Kabschia* varieties, so glorious when safe from mud in early spring. Saxifrage Burseriana varieties, Cranborne, Jenkinsi, Valerie Finnis and a host of others are marvellous pot-plants. The best list and stock is issued from the Waterperry Horticultural School, Waterperry, Oxon. I would *also go for* all small campanulas, so lovely in the summer, not just C. Pusilla, best seen at close range, but the rarer Piperi (funnel-shaped in flower), *Raineri and* the ink-purple Covadonga. These are all lovely plants, so easily missed in a bigger garden. But in an unheated house, you can examine them closely and conveniently away from slugs. Cyclamen are another easy and *charming choice* for a pan, while the yellow small Verbascums, especially the fine hybrid Letitia, are at their brilliant best where the rain in winter cannot rot them.

Red spider

No heat, no special troubles, as long as you watch out for red spider in summer: the times are in favour of alpine *flowers* in former heated houses. As our houses all drop to the level of the old cold greenhouse, you may wonder how anything could like to *live that way. But like* it, I assure you, these small flowers do.

Mauritius should be best bet in Worcester Novices' Chase

RACING

BY DOMINIC WIGAN

IT IS UNUSUAL to find a novice chase having to be split, but this is the case at Worcester this afternoon.

The two-miles Young Novices' Chase for four-year-olds and upwards, which at the start of *the season have not won* a chase, has been split. The first division comes at 12.30, and the second an hour later.

The best bet *from the two* divisions should be Mauritius, who goes for the second division. Fred Winter's strong Carnival Night gelding, a novice hurdles winner at Cheltenham and Towcester last season, has always struck me as a chaser in the making.

Furthermore, his hurdling form, which included a 2½ lengths victory over My Hussar, was frequently more than useful. A successful transition to the bigger obstacles should see him more than paying his way.

Hunter's Joy, my selection for the first division, is, in contrast, a light framed gelding. However he, too, has the ability to make the graduation to fences, and there seems little reason why he should not take this division, possibly the weaker of the two.

One of the most interesting features of the afternoon at *Worcester will be the reappear*ance of that high-class chaser, Shifting Gold in the Long Haul Chase.

John Francome's mount was in almost invincible form in the early part of last season. I was particularly impressed with him at Sandown, where he completed a hat-trick of wins, and made virtually all his own running to beat Evander by 10 lengths in the Anthony Mildmay, Peter Cazalet Memorial Chase.

It would have been extremely interesting to see where he would have finished in the Grand National, for which he was the long-time ante-post favourite, had he not fallen at the 10th when going well within himself.

On his only previous start this term, Shifting Gold, a course winner over two miles here, was travelling well alongside Vulahaloo in a match for the three-mile Jim Holden Chase at Huntingdon when he broke a blood vessel.

Provided that there is no repeat of that unfortunate incident here, the top weight seems sure to take all the beating. However, my narrow preference is for Monty Python, one of the joint bottom weights on the 10-stone mark.

Last time out, this stablemate to yesterday's Plumpton runner-up, Benghazi Express, did well to finish a four-length second to Carroll Street, from whom he was receiving only 1 lb, in the Johnny Clay Memorial Chase over three miles six furlongs on firm ground at Chepstow.

WORCESTER

12.30—Hunter's Joy
1.00—Celtic Ryde
1.30—Mauritius***
2.00—Harry Barrons
2.30—Monty Python**
3.00—Buddy Burke
3.30—Florence Mary

TV/Radio

BBC 1

†Indicates programme in black and white

12.45 am News. 1.00 Pebble Mill. 1.45 Over the Moon. 3.00 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Wally Gator. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.10 The Moon Stallion. 5.35 Ludwig.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.45 Are You Being Served?
7.15 *The Rockford Files.*
8.05 The Secret Army.
9.00 News.
9.25 *Sports Review of 1978.*
10.55 Tonight.
11.35 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

WALES—2.35 pm *Delia Smith's* Cookery Course. 3.00 Rugby Union, Bridgend v All Blacks. 4.15-4.40 Play School (as BBC-1 3.55 pm). 5.10-5.40 Billdowcar. 5.55-6.20 Wales Today. 6.45 *Heddiw.* 7.10 FC A FE. 7.40-8.05 Tomorrow's World. 11.35 News and Weather for Wales.

SCOTLAND—5.55-6.20 pm Reporting Scotland. 11.35 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six, Weather. 10.55 *Spotlight.* 11.25 News and Weather for Northern Ireland.

ENGLAND—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.20 am Gharbar.
10.45 Parosi.
11.00 Play School.
5.35 pm News on 2 Headlines.
6.50 Michael Strogoff.
7.45 Mid-evening News.
7.50 The Story of English Furniture.
8.15 The Money Programme. *Report on the meeting of Arab oil ministers.*
9.00 M*A*S*H.
9.25 *Play of the Week: "Renoir,* My Father," from the book by Jean Renoir.
11.20 *My Kind of Movie: Elaine Paige on "Singin' in the Rain."*
11.25 *Late News.*
11.40 Closedown, talk.

LONDON

9.30 am "Miracle On 34th *Street." starring* Sebastian Cabot. 11.05 The Mackenzie Affair. 12.00 The Adventures of Rupert Bear. 12.10 pm Rainbow. 12.30 Sounds of Britain. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon. 2.25 Disappearing World. 3.20 You're Only Young Twice. 3.50 Tell Me Another. 4.20 The Sooty Show. 4.45 Fanfare for Young Musicians. 5.15 Batman.
5.45 News.
6.00 Thames at Six.
6.25 Help.
6.35 Crossroads.
7.00 This Is Your Life.
7.30 Coronation Street.
8.00 Wednesday at Eight.
9.00 Edward and Mrs. Simpson.
10.00 News.
10.30 Mid-week Sports Special.
11.40 Late *Night Theatre.*
12.35 am Close: *A painting by Monet with music by Debussy.*

All IBA Regions as London except at the following times:—

ANGLIA

9.30 am Feature Film: "Waterloo" starring Rod Steiger and Christopher Plummer. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.25 pm Anglia News. 2.00 Houseparty. 3.20 The George Hamilton IV Show. 5.15 Mr. and Mrs. 6.00 About Anglia. 11.40 The Bionic Woman. 12.35 am The Big Question.

ATV

9.45 am Faces of a Festival. 10.30 Morning Cinema: "Woman's World" starring Clifton Webb. 1.20 pm *ATV* Newsdesk. 3.25 The Practice. 5.15 You're Only Young Twice. 6.00 ATV Today. 11.40 Richie Brockelman. 12.35 am Inside Business.

BORDER

9.30 am *The Undersea Adventures of* Captain Nemo. 9.35 The Lost Islands. 10.00 Morning Film: "First Men in the Moon" starring Edward Judd and Lionel *Jeffries.* 11.40 *Oscar.* 11.55 *The Sweet* Sugar Doughnut. †1.20 pm Border News. 2.00 Houseparty. 3.20 Stars on Ice. 5.15 Bernie. 6.00 Lookaround Wednesday. 11.40 Power Without Glory. 12.35 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's on Where. 5.15 Emmerdale Farm. 6.00 Channel News. 6.10 Arthur. 10.28 *Channel Late News.* 11.40 *Jersey Deputy's* Election Result. 12.10 am Epilogue followed by News and weather in French.

GRAMPIAN

9.25 am First Thing. 9.30 Canada at War. 10.00 Survival Special. 11.00 Spy Extraordinary. 11.30 The Herbs. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Grampian News Headlines. 3.20 The Rolf Harris Show. 5.15 Emmerdale *Farm.* 6.00 *Grampian Today.* 10.30 Ol' Red Hair Is Back. 11.40 Barnaby Jones. 12.25 am Reflections. 12.30 Grampian Late Night Headlines.

GRANADA

9.30 am Sesame Street. 10.25 Tarzan. 11.10 Wildlife Cinema. 11.35 Cartoontime. 11.45 A Handful of Songs. 1.20 pm This Is Your Right. 3.20 Stars on Ice. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 *Mr and Mrs.*

HTV

9.30 am Hogarth. 9.55 "High Society" starring Bing Crosby, Grace Kelly and Frank Sinatra. 11.40 Oscar. 11.55 The Sweet Sugar Doughnut. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 3.20 The Electric Theatre Show. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 11.40 The New Avengers.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20-4.45 "Rydw" I am Fod . . . 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. *6.15-6.30 Report West.*

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible] Westward Late News. 11.40 S.W.A.T. 12.30 am *Faith for Life.*

YORKSHIRE

†9.30 am "Lady Hamilton" starring Laurence *Olivier* and *Vivien Leigh.* 11.35 World Worth Keeping. 1.20 pm Calendar News. 3.20 Stars on Ice. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 11.40 Electric Theatre Show. 12.10 am Police Surgeon.

BBC Radio New Wavelengths

1 1053kHz/285m 1089kHz/275m 693kHz/433m
2 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul *Burnett.* 2.00 *pm Tony Blackburn.* 4.31 Kid Jensen. 6.30 Radio 1 Mailbag. 7.30-8.00 As Radio 2. 8.00-10.00 As VHF. 10.00 John Peel (S). 12.00-2.00 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 8.00 Listen to the Band (S) (continued from Radio 2). 8.15 Semprini Serenade (S). 9.02 The Impresarios. 9.55 *Sports Desk.* 10.00 With Radio 1. 12.00-2.00 am With Radio 2.

RADIO 2

5.00 am News Summary. 5.03 David Allan (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Harry Rowell's Open House (S) including 1.45 Sports Desk. 2.30 David Hamilton (S) including 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 Robin Richmond (S). 7.30 Listen to the Band (S). 8.02 Soccer Special. 9.30 The Impresarios (joins VHF). 9.55 Sports Desk. 10.02 The News Huddlines with Roy Hudd. 10.30 Sydney *Lipton Says Be My Guest.* 11.02 Brian Matthew introduces Round Midnight, including 12.00 News. 2.00 am News Summary.

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Sibelius (S). 10.00 Holiday Special. 10.20 Music for Organ (S). 10.50 Bartok and Schoenberg piano recital (S). 11.20 Midday Concert, part 1: Davies, Falla (S). 12.05 pm In Short (talk). 12.15 Midday Concert, part 2: Stravinsky (S). 1.00 News. 1.05 Concert Hall (S). 2.00 Elliott Carter (S). 2.25 Without Violins (S). 3.45 The Renaissance of English Chamber Music (S). 5.00 Building a Library of records (S). 5.45 Homeward Bound (S). 6.30 News. 6.35 At Home: *Music for Brass on records* (S). 7.30 The Art of . . . Giacomo Lauri Volpi (S). 8.00 Live from The Royal Festival Hall, part 1: Mozart (S). 8.45 The Arts World-wide. *9.05 Live from The Royal Festival* Hall, part 2: Berkeley, Bizet (S). 10.05 One Degree Over. Climate (talk). 10.50 Early English Concert Music (S). 11.05 *Lover's Sorrow.* 11.45 *News.* 11.50-11.55 Tonight's Schubert Song (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today. Magazine, including 6.45 Prayer for the Day, 7.00 and 8.00 Today's News. 7.30 and 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament.

[…]

8.00 News. 9.05 The Living World. 9.35 Parent Power. 10.00 News. 10.05 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 *Time for Action.* 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Dr. Finlay's Casebook. 12.55 Weather: programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre. 3.50 Choral Evensong (S). 4.35 Story Time. 5.00 PM, News magazine. 5.50 Shipping forecast. 5.55 Weather: programme news. 6.00 News. 6.30 My Word! (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Britons in the Bush. 8.45 Analysis: Attitudes towards the poor and unemployed. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 An Actor in his Time. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time from the House of Commons. From 1.05—As Radio 2.

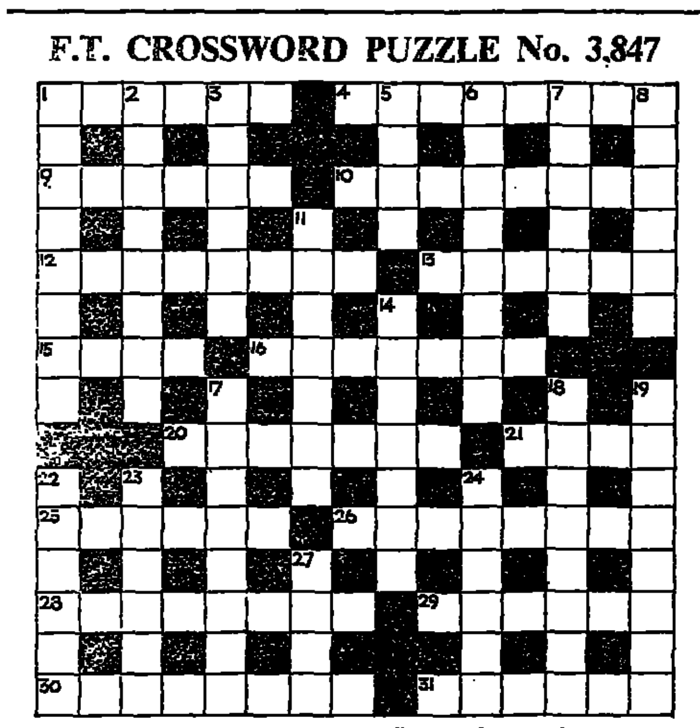
London Broadcasting

5.00 am *Morning Music.* 6.00 A.M.: news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (C). 7.00 London Today (S). 7.30 Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Late Show (S). 2.00 am Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,847



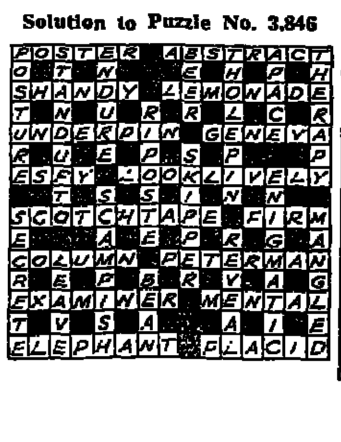
ACROSS

1 Eat about four or six, it's excellent (6)
4 Morbidly eager always to fish outside (8)
9 Bird or wine of the Islands (6)
10 Source of heat but without liquid for thirsty side from the south (3-5)
12 Find record finished (8)
13 Cope with chap before time (6)
15 Born and died in want (4)
16 Feat female follows down? (7)
20 To agree completely (7)
21 Money making accountant quiet (4)
25 Trifling insult (6)
26 Mixed when categorised (8)
28 A quick look on Oriental in cover (4-4)
29 Mow round every plant (6)
30 Food for heart-broken crank? (5-3)
31 Rely on some French to be undecided (6)

DOWN

1 Backward although having ten years with book (8)
2 Vehicle I discarded disappeared (8)
3 Ran up on line that's thin (6)
5 Deserve receiver connected to pole (4)
6 Trapped in type of drum in the end (8)
7 Diamonds on hat seen on mountain top (3-3)
8 Obstruct with a large basket (6)
11 Well-known army officer (7)
14 The most tasteless beer in two ways (7)
17 Make light of two rings set up (4-4)
18 I'll thrash around for a sweet (8)
19 *Displayed notice inside that* could be followed (8)
22 Wood and material for smelting on land (6)
23 Collier getting caught inside shredding machine (6)
24 *Comfort the sun expert* (6)
27 List of dishes included in some nutriments (4)

Solution to Puzzle No. 3,846



ENTERTAINMENT GUIDE

CC. These theatres accept certain credit cards by telephone or at the Box Office.

OPERA & BALLET

COLISEUM. Credit Cards. 01-240 5258. Reservations 01-836 3161. [illegible]

THEATRES

HER MAJESTY'S. CC. 01-930 6606. Evgs. 7.30. Mats. Weds. and Sat. 3.00. THE NEW MUSICAL BARMITZVAH BAY "This stunning production uniquely enjoyable." F. Times. "The funniest Musical around bar none." S. Mirror.

KING'S ROAD THEATRE. 01-352 7488. From Dec. 18. Daily 10.30, 2.30 & 4.00. THE ROCKY HORROR SHOW [illegible]

VICTORIA PALACE. CC. 01-828 4735-6. 01-834 1317. Evs 7.30 Mats. Wed. and Sat. 2.45. STRATFORD JOHNS SHEILA HANCOCK ANNIE "BLOCKBUSTING—SMASH HIT MUSICAL." D. Mail.

WAREHOUSE. Donmar Theatre, Covent Garden. Box Office 836 6808. Royal Shakespeare Co. Ton't. to Sat. 8.00 [illegible]

[illegible]

CINEMAS

[illegible]

EDUCATIONAL

[illegible]

CLUBS

[illegible]

ART GALLERIES

[illegible]

هكذا من الأصل

هكذا من الأصل

THE ARTS

Television

Minorities in the majority

by CHRIS DUNKLEY

Once upon a time British broadcasting was admired for its announcers, news readers, talks presenters, and programme chairmen who — to a man (a *man* remember) — spoke southern home counties English and were understood all over the nation. Of course one heard the occasional derisive imitation of the "Coo, ain't 'e posh!" variety, but that reflected mainly on the jeerer.

Nowadays, however, a clear-speaking WEM (white English male) asking for advice on the best way of trying to acquire a job in TV news reading, talks, and so on, would receive a very simple answer from any sane observer of the broadcasting scene: don't bother.

Those who form the nexus of feminist martinets, dour "gays," polytechnic drop-outs, Marxist sociologists, and totalitarian school teachers whose views so often pass for progressive attitudes today are unanimous in their contemptuous dismissal of television. They see it as an antediluvian dinosaur, still living in the past, consuming and excreting reactionary ideas.

But this loose alliance is careful to under-estimate its own influence. The fact, as any viewer's own observations will prove, is that the nexus and the other lobby groups which are steadily usurping the rôle of politics, local government, and intelligent argument in our society, have also got the broadcasters on the run.

Thanks to the devolution lobby regionalism is "in" and consequently the Welsh, the Irish and the Scotch (good enough for Sir Walter and good enough for me) are in too. The English are out.

Thanks to the Small Is Beautiful movement we now know that big organisations of any sort and particularly big cities are bad whereas small organisations and especially small cities are good, so scrappy provincialism is in. Smooth metropolitan centralisation is out.

The south is wicked and effete and well paid and the north and Midlands are honest and gritty and badly paid so the North and Midlands and Northerners and Midlanders are in. The South and Southerners are out.

Minorities in general are in, and black ones in particular. Majorities are out.

Above all, of course, women are in and men are out.

If you think this sounds like an absurd over-statement the reason may be that a lot of programmes and appointments dating from BC (before the camisade) are still around. Richard Baker and Kenneth Kendall acquired their jobs, for instance, in the days when it was still acceptable to appoint well spoken white English males as news readers. But if you consider just those programmes and appointments which have been made AD (after the deluge) it does not look like a wild exaggeration at all.

Take soap operas. For ages we have had three regulars: *Coronation Street*, *Crossroads* and *Emmerdale Farm*. The first is set in the Manchester area, the second in the Birmingham area, and the third farther north in Yorkshire. The nearest BBC 2 has got to a soap opera in the last few years is *When The Boat Comes In* and that is set farther north again.

When BBC 2 came up with an early evening soap opera this season did it opt instead for the south? Of course not. It opted for good old Handsworth, Birmingham, in the gritty old realistic Midlands. And for a change did it deal with the millions upon millions of people who would describe themselves as ordinary white English middle class? Good gracious no — there are still some minorities around, you know. It decided to call itself *Empire Road* and deal exclusively with blacks.

It got itself talked about on a new BBC 1 programme called *Tonight In Town* too. This, being an AD series, naturally has a female presenter — the admirable Valerie Singleton — and she discussed *Empire Road* with black script writer Michael Abensetts and black journalist Mike Phillips. They touched on the fact that *Empire Road* has virtually no white people in it, and Abensetts pointed out the small number of blacks in many other programmes. Nobody was uncouth enough to mention that more than 96 per cent of the population and the viewers are white.

While we are on presenters, consider those who have turned up this winter.

BBC 2's *Word for Word* has brought us Vicky Payne, a lady who appears to be miming her name every time she cranks up her smile.

My Kind Of Movie, an oddly attractive little BBC 2 programme functioning as shoe-horn to yet another set of repeats of various old movies, is not only chaired by a woman but one with a Scottish name—Sue MacGregor — who thus scores double Brownie points.

And you will have noticed, of course, that another often charming BBC 2 series, *Country Game*, which used to be presented by Julian Pettifer, is now being presented by La Rippon (who, incidentally, in her other rôle as news reader, has taken to pronouncing "guerrillas" to rhyme with "perilous" presumably in order to avoid any chance of "gorillas").

And on the subject of pronunciation, the presenter of the quiz section of *Bruce's Big Night* is a man who says the word "one" as though it were spelled "wan" as in "pale and wan." Wan guesses that he does not come from south of Banbury.

Nor is it just a question of presenters and current affairs staff; you could hardly miss the increasing incidence of female-centred fiction series from *Charlie's Angels* and *Bionic Woman* to *The Foundation* and *Tycoon* via *Butterflies* and *Lillie*. Furthermore, when you do get a male-centred series it is likely to be set in the Midlands or the North, whether it be an adapted novel (*Huntingtower* in Scotland), an original serial (*Fallen Hero* in rugby league land), or a rare collection of plays from London Weekend (*Six Plays* by Alan Bennett, the first set in Halifax).

From all of which you will infer, no doubt, that you are reading the rantings of an effete southern male chauvinist fellow traveller of the National Front who is in favour of a return to the news being read by men with plummy accents and wearing dinner jackets.

Not, however, so. I actually believe that in a nation as diverse as this the old broadcasting service dominated by WEMs was somewhat ridiculous and did have to be changed. We did need and will go on needing greater variety in terms of region, gender, race, and creed to be represented in broadcasting.

Perhaps a period of inverse discrimination is the price of reaching that pluralist haven, yet it does seem rather a pity if the only way is to go from the ridiculous to the ridiculous.

There must surely be a middle course between a system which discriminates against all except WEMs and one which discriminates solely against them. Under the new set of unspoken rules, any southern WEM applying for a job is wasting his time if there is any woman, non-white, or speaker with an impenetrable northern accent against him in the running.

Of course it is true that women who constitute half the population have been woefully under-represented in many parts of broadcasting, and of course it is true that some of those now coming into television do excellent jobs. Sue MacGregor, for example, is quite outstanding and will, no doubt, go on to much greater things (assuming she wants to).

It is also true, however, that a lot of what is happening is sheer tokenism of a counter-productive sort: it does not help any minority or under-represented group to have one of its number appearing on screen simply by virtue of coming from that group, if they are then going to prove to every viewer in the land that one of those dreary old southern WEMs would have done the job better (or, if we are talking not about people but about programmes, served as a theme better) although this does not apply to those mentioned here.

Roll on the day when we have an adult society and broadcasting system in which nobody feels obliged to pick a WEM or a black or an Irishman but can simply pick the best person for the job.

Valerie Singleton, Moyra Bremner and Sue MacGregor

The two programmes about finance and commerce have both been featuring women: Angela Lambert on Thames's *Inside Business* and Moyra Bremner on BBC 2's *Money Programme*.

For *Saturday Night People* London Weekend chose an Australian (Clive James), a Northerner (Russell Harty, he whose syntax is shall we say less than what you might call otterly straightforward) and one of the oddest looking women on television (Janet Street-Porter, who has trouble pronouncing her own name since she is not too hot on the letter T, though as an interviewer she does have the single virtue of being willing to ask absolutely anybody - absolutely anything).

Another new London Weekend series, *Look Here*, is presented by a Scot, Andrew Neil.

Civic Hall, Guildford

Blacher's Requiem

by RONALD CRICHTON

Vernon Handley and the Guildford Philharmonic have a reputation for larding their programmes with unfamiliar or neglected music mostly of the 20th century, mostly of a kind not likely to be washed up by eddies of fashion. Music for the most part not extravagant or outlandish but just good, worth knowing yet (as often happens) temporarily forgotten. They chose a rare fish for Saturday evening's concert—the Requiem Op 58 by Boris Blacher, commissioned by the Vienna Konzerthaus and first given there in 1959 under Solti, with the chorus of the Singakademie.

Blacher, who died five years ago, was a Berlin composer of Baltic origin. Though musically speaking he went his own way he was not a recluse or an eccentric but a friendly, sociable man, very much part of Berlin musical life, respected as a teacher. He kept his head and his independence through the period of what somebody recently described as "serial terrorism." His music is dry, carefully calculated, economical, not cold or heartless. It has something of the bracing Berlin climate and something of the city's humour. His orchestral concertante music and Paganini Variations won a certain popularity in the 50s and 60s, as did the satirical opera *Preussisches Märchen*.

The Requiem, which lasts about 45 minutes, is written for full chorus, normal orchestra with four percussion players, soprano and baritone soloists. The language makes much use of the interval of a semitone—not only for flavouring the harmony but for themes moving stepwise in semitones and for wide-ranging chromatic scales rising or falling (in the *Sanctus* for example) through several octaves. The *Dies irae* ends with a big coda, several pages long, in which tersely syllabic "Amens" are sung against the same word spun out by other voices on long lines of triplets. Orchestral support for voices, solo and choral, is often deliberately exiguous.

The Guildford Philharmonic Choir had clearly worked hard, long and devotedly at the score. To say that they had mastered all the problems would be an exaggeration. Blacher's writing does not present the sheer difficulty of placing the notes that daunts singers of much of the music of the period, and his intervals are mainly small, but the precision and bareness of the style mean that everything must be, and remain for long periods, hang on. There were signs of flagging here and there but the spirit was soon renewed. How many amateur choirs in Germany or Austria, I wonder, would tackle this work and do it as well as this?

The soloists, Vivien Townley and Ian Caddy, were excellent. Their singing of the quietly rocking *Domine Jesu* suggested that there may be more lyricism in the score than appears at first hearing. The orchestra has a comparatively easy time. Their good quality had been shown in the preceding work, Mahler's *Lieder eines fahrenden Gesellen*, whose melodic wealth made Blacher's austerity seem positively self-denying. In the songs, Gwyn Griffiths displayed a contralto voice full of promise. She must however learn to keep still on the platform and to move both words and tone forward: feeling by itself isn't enough.

Leonard Burt

Brian Cox and Marty Cruickshank

Queen's Hornchurch

Babes in the Magic Wood

by MICHAEL COVENEY

This may not be a classic new children's play by David Wood, but it certainly kept an audience of tots on their toes. Mr. Wood has taken on pantomime elements and mixed them, not always too happily, with his own special line in nursery book fantasy. The babes are Simple Simon and Contrary Mary, their mother a not too abrasive panto dame, Widow Crockett, who produces children's toys by special appointment to Father Christmas.

The robbers are a couple of spurious furniture removal men, Pick and Nick, whose underfed Donkey is appropriated by the children. The robbers exact revenge by stealing the Widow's supply of toys, and the ensuing chase finds us in a magic wood—white trees with tinkling boughs—where the Fairy Godmother reveals herself, in a sour Act One climax, to be a splendidly attired Superwitch who devours sweet little children after stewing them in a steaming cauldron.

The best moments are in the Widow's toyshop, where a trio of inanimate dolls—a Ragdoll, a Jack-in-the-Box and a clockwork Panda, come to Coppelia-like life and alert the sympathetic mortals to the robbers' intrusion. Paul Tomlinson's production is a little harsh, I feel, with its strobe lighting effects, but is otherwise appropriately saccharine, with colourful sets by David Knapman.

The musical ensemble of electric keyboard, percussion and harp is loud and predictable, which may have to do with the less than inspirational music and lyrics provided by Mr. Wood. Brian Hewlett is a competent Dame. Pauline Siddle a suitably effervescent Mary. The tap-dancing Donkey goes down a treat.

'Un Ballo in maschera' change of cast

The Royal Opera House Covent Garden has announced that Ingvar Wixell is unable to accept his contract for the forthcoming performances of Anckarström in Verdi's *Un ballo in maschera* because of a clash with commitments at the Metropolitan Opera House, New York.

Vincenzo Sardinero will now sing Anckarström for the first time with The Royal Opera. Performances take place on December 21, 27, 29, and January 3 and 6.

Cottesloe

Herod

To my mind, Paul Mills's *Herod* is not a play but a short oratorio or cantata for small orchestra, three singers and six speakers. Sebastian Graham-Jones, the director, has tried to introduce some dramatic quality into it by moving his actors between different points on the stage (which retains the long, narrow plan used for *Has "Washington" Legs?*), but there is only one moment of real dramatic action, the symbolic killing of a child by two soldiers before its kneeling mother and a frowning Herod. The rest of the evening is recitation or music. The actors never actually take part in the music except in melodrama (using the word in its original sense).

Mr. Mills has not written a dramatic poem. It is concerned mostly with Herod's reflections as he considers the position he will be in with a rival king in the land, but his thoughts range widely enough to take in appearances by an unspecified Archangel, the shepherds watching their flocks, the three kings, Mary and Joseph.

The music is intrinsic to the dialogue, with commentary sung in Latin to point the progress of the tale. It is not my kind of music, but I am not reliable on anything composed since about 1940. It is scored for three saxophones—soprano saxophones mostly, but they change to baritones now and then and make a very strange sound with them — two batteries of percussion, two sopranos and a counter-tenor. The sound, to me, is very cold and unfriendly, with much unison, many open fourths and fifths, seldom a nice cosy triad. It has been composed by Harrison Birtwistle and Dominic Muldowney. Whichever of them it was that gave us the final fantasia on *In dulci jubilo* earns my thanks for bringing me back from far space ("In the beginning, space was an explosion" are the opening words of the poem) and returning me to Earth and Christmas time.

I can hardly praise the acting for there isn't any. But at any rate Mark McManus as the Archangel and as Herod's Armiger, and Brian Cox as Herod, and briefly as Joseph, brings resonance to what must be a pretty intractable script.

The floor-cloth, containing three symbolic circles representing time, space and fortune, is designed by Sue Jenkinson, and she has built a beautiful platform for the band, who are too often prone to steal the attention that should be concentrated on the actors.

B. A. YOUNG

Book reviews

Music everywhere

by ELIZABETH FORBES

The Complete Operas of Mozart, by Charles Osborne (Gollancz, £7.50, 349 pages) packs a great deal of information into a relatively short book. Each opera, from *Die Schuldigkeit des ersten Gebots*, written when Mozart was 11, to *Die Zauberflöte* gets a chapter to itself with full textual and musical analysis, while the composer's life is used as a thread on which to string the operatic pearls. Naturally, the viewpoint is one-sided, as non-operatic works get only cursory mention, but the method is a valid one. Charles Osborne treats the earlier operas fairly, though once or twice he makes claims for a piece that is of particular interest mainly because it comes from the pen of the youthful Mozart. His chapter on *Idomeneo* is a model, the best in the book, and he covers three great Da Ponte comedies adequately, though *Don Giovanni* would benefit from further background material. *La clemenza di Tito* gets neither sufficient space nor, in my opinion, sufficient credit, and it is scarcely possible to do justice to *Die Zauberflöte* in 23 pages. Nevertheless, the book will surely prove as invaluable as the author's study of Verdi operas has been.

Benjamin Britten: Pictures from a Life, compiled by Donald Mitchell and John Evans (Faber, £15, 440 illustrations, 16 pages, tables and index), though fascinating and informative to admirers of Britten's works who already know something about his life, will not yield much in the way of critical opinion on the composer's music to those outside the charmed circle of Aldeburgh; Donald Mitchell's authorised biography will no doubt provide that. Meanwhile, Britten's childhood and youth are illustrated in compelling detail, while the years that he spent in America are well represented: two studies of the composer and W. H. Auden during the rehearsals of *Paul Bunyan* vividly evoke the period, while a photograph of Britten with Peter Pears seated at the piano dating from the same year (1941) contrasts poignantly with one of the same two men, again seated at the piano, taken in Germany 30 years later.

After an unfortunate introduction—"I was in Venice. The previous day we had been eating fried squid near the Fenice . . ."—*Maria Callas: A Tribute* by Pierre-Jean Remy (Macdonald and James, £6.95, 192 pages) becomes one of the more perceptive accounts of the great singer among the plethora published both before and after her death in 1977. The author, too young to have heard Callas in person at the peak of her career in the early 1950s, nevertheless describes those years most graphically, in particular the legendary 1954-55 season at La Scala, when the soprano appeared in three new productions by Luchino Visconti, as the titular heroines of Spontini's *Vestale*, Bellini's *Sonnambula* and Verdi's *Traviata*. M. Remy also picks his way skilfully through the scandals, rumours and gossip of the diva's later career. He is not so careful nor so accurate when it comes to operatic history of an earlier period, and some of his musical generalities would be better omitted, but the central portrait is recognisable and sympathetic.

Among performing artists it is not only singers who behave in a manner larger than life. *An Autobiography*, by James Galway (Chappell/Elm Tree Books, £5.95, 181 pages) shows that instrumentalists also develop their fair share of temperament. Anyone surprised that James Galway should resign so soon from his post as principal flautist with the prestigious Berlin Philharmonic will, after reading his book, wonder how he tolerated for six months, let alone six years, a discipline so foreign, in every sense of the word, to his nature. Before going to Berlin, Galway had exhausted the BBC SO, the LSO and the RPO as well as Sadler's Wells and Covent Garden orchestras. But the chapters on his childhood in Belfast help to explain the prima-donna attitudes of his subsequent career. Young Jimmy might well have become a juvenile delinquent if he hadn't spent the major part of every day playing his flute.

Conductors are not exempt from temperamental unpredictability either, as *Toscanini* by Harvey Sachs (Weidenfeld and Nicolson, £10, 380 pages) amply demonstrates. A "biography not a work of musical criticism," Mr. Sachs' book makes use of much unpublished and hitherto untapped source-material, and to anybody interested in the musical history of the last 100 years will be an inexhaustible work of reference. The years between Toscanini's unscheduled debut as a conductor in Rio (1886) and his first engagement as musical director of La Scala (1898) are especially well documented. Again, the author is too young to have heard the subject of his biography in person although as in the case of Callas, a huge legacy of recordings is available to the would-be critic. Mr. Sachs modestly keeps to contemporary accounts and opinions, quoting liberally. With Toscanini, man and musician are inseparable, however, and the author's somewhat pedestrian style cannot conceal his hero-worship of the great *parmigiano*.

"A conductor is a good hate-symbol" one of the Philadelphia Orchestra players is quoted as saying in *The Changing Face of Music* by Hugo Cole (Gollancz, £7.95, 160 pages), a stimulating description of the present organisation and day-to-day realities of musical life in Europe and North America. Mr. Cole's chapter and section headings—Rewards and penalties of orchestral life, Composers in the throw-away age, Death of silence and The Past through the ears of the Present—give some idea of the wide-ranging subject-matter in his book. His conclusion: that we cut ourselves off from the popular roots of our musical culture at our peril.

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The sanctions argument

IT IS IRONIC that pay sanctions should come under the probably hostile eye of Parliament just as President Carter is preparing to follow the British example, *and deploy Federal purchasing* power in support of a "voluntary" incomes policy—a fact which the Government may well cite in its own support. In doing so, it will make its only possible case. President Carter is convinced from the British example that sanctions do work. Ministers share this belief, and there is some anecdotal evidence in their support, including some examples in our own industrial survey. Some pay settlements *may be somewhat reduced by* the threat of sanctions.

Purely pragmatic arguments of this kind should always be treated with the deepest suspicion. They can always be advanced in favour of objectionable policies, from bribery to torture; so indeed can the Government's second line of defence, the so-called national interest—*known under more* openly dictatorial forms of Government as "reasons of State." Parliament *should not* be trapped into debating this issue on the Government's chosen patch of low-lying ground. The issue is one of principle.

The issue

The issue is nevertheless at first sight purely economic. The Government is waging quite an impressive campaign against inflation; the task of reducing inflation is very much easier if pay settlements are moderate. *Therefore, Ministers argue,* anything whatever that reduces pay settlements can only be opposed *by those who want to undermine* the strategy against inflation.

This reasoning is far too narrow, and fails to distinguish between symptoms and causes. *If the British system of wage* bargaining has developed a strongly inflationary bias, it is the system which needs examining. The most cursory examination shows an excessive concentration of power, sometimes on both sides of the bargaining table. Over-concentration in industry has been encouraged in the name of "*industrial logic*"; *more im*portant and more ironically, the privileges of trade unions have *been extended in order to buy* their acquiescence in past attempts to treat the symptoms *through incomes policies. Those* policies, and the sanctions policy which is all that now survives of them, were simply successive attempts to evade the real and very difficult issues which bedevil pay determination in this country.

Nevertheless, even a faulty system can operate more or less well. There have been some encouraging signs this year that the damaging futility of exces*sive money settlements is more* widely understood—not only in the public opinion polls (whose *support the Prime Minister will* no doubt plead in aid) but in shop-floor rejection of extreme militancy. The Government can claim some credit for this realism, which is reinforced through its own firm monetary and exchange rate policies. The real sanctions of foreign competition and restricted credit are making some impression. In *this context the Government's* pretence that it is only Ministerial resolution which stands between us and an avalanche of huge settlements is actually strongly counter-productive. The system will work when it responds to realities, not to vote-catching fictions.

In addition, the Government pay policy which sanctions are supposed to support is itself more than questionable. The damage done to output through its rigidities and anomalies is just as inflationary as excessive pay claims would be. As the Prime Minister likes to argue, *the arithmetic issue is one of* unit costs; he forgets that the economic issue is also how to produce a functioning and responsive labour market.

Finally, there is a constitutional issue at stake. The sanctions policy is not only arbi*trary and damaging, but it has* no Parliamentary authority of any kind; tonight it will be put to the test. Ministers may not regard the sanctions issue as a resigning matter, but at least the policy itself must stand or fall by the vote. The shabby pragmatism which supports it offers no reason at all for defying Parliament.

Italy decides to join EMS

THE ITALIAN Government's decision to participate in the new European Monetary System right from its starting date on January 1 has been warmly welcomed in Bonn, Paris, Brussels and Luxembourg. On the assumption that the Italian parliament endorses the government's decision, the new European currency scheme will be a larger *grouping* than seemed likely at the conclusion of the European summit a week ago. *This fact alone may heighten* the sense of isolation of Britain, which has decided not to join for the time being, and of Ireland, which drew back at the last moment, and could increase the psychological pressure on one or both of them to change their *minds.*

Manoeuvering

Yet it would be imprudent to assume that the Italian decision has been made solely on the *merits* of the European Monetary System as it might affect Italy. On the contrary, it looks as though the government has been motivated partly by the popular appeal in Italy of anything which seems to promise closer integration in the European Community, but even more by the tactical complexities of party political manoeuvering in Rome.

Like Britain, Italy has long had misgivings that the EMS *scheme made too little provision* for the protection, let alone the strengthening of the weaker *economies in the Community,* and that participation might expose the lira to unacceptable speculative pressures in the market. During the negotiations which culminated in the summit last week, the government secured a wider band of fluctuation for the lira than that of the other members, as well as access to subsidised credits, but it evidently did not feel then that these concessions went far enough.

If the Italian Prime Minister has been able to secure a further improvement in the terms governing Italy's participation in the scheme, he has not been able to reveal in Parliament what this improvement is; a senior German official has denied that there has been any *new concession.* It must be assumed therefore that the reservations of the Bank of Italy and of certain economic ministers remain essentially *unchanged, and that the key to* the decision lies outside the Christian Democrat government.

For the past nine months the Christian Democrats have been supported in parliament by the Communists, the Socialists and *the small Republicans. But the* left-wing parties have come under increasing pressure from their *rank-and-file, because of* growing dissatisfaction with the prolonged impact of the government's anti-inflation plan on growth and employment.

The anti-inflation plan has so far been much more successful in holding down growth and in *turning round the balance of* payments than in bringing down the inflation rate, which appears to have stabilised in the region of 12 per cent at an annual rate. The central element in the next phase of the plan is an incomes policy. It is not a specially draconian incomes policy, since the Government is only aiming for 10 *per cent* inflation next year and in 1980, and 8 per cent in 1981, and its only weapon is *exhortation. But exhortation* will only work with the active support of the Communists and the Socialists — a requirement which places these two parties in an uncomfortable dilemma at the very moment when a new round of wage bargaining is getting under way.

If they do not lend their full weight to the government's incomes policy, there is even less chance of the inflation rate coming down. They have therefore seized on the known reservations of the Bank of Italy, and taken their stand on the *position* that *participation* in the EMS is desirable, but not yet.

*The most immediate con*sequence of this parliamentary split is likely to be the collapse of the inter-party pact. The Prime Minister may even believe that his passionate defence of Italian membership in the new Community venture will stand him in good stead if it becomes necessary to call fresh elections.

He may also believe that it will be easier to negotiate improvements in the scheme as it *gets under way than it would* be if Italy remained outside. This is a point of view which *the British Government,* too, might have taken into account.

Iran: the exporter's dream turned to nightmare

BY OUR FOREIGN STAFF

THE IRANIAN crisis is the most important political and economic event in the Middle East since the 1973 Arab-Israeli war and the consequent rise of the price of oil. Every effort by the Shah *to stabilise his position by re*pression or conciliation has so far failed. At the beginning of *last month he installed a* military Government to restore order in the streets and end the crippling strikes in the oilfields and elsewhere. In this it has signally failed. Riots have continued, culminating in last Sunday's huge but peaceful demonstration by much of Tehran's population of 4m. Strikers had by yesterday reduced oil production to 1.3m barrels a day, a quarter of normal.

Along with the CIA, recently *criticised by President Carter* for its failure to foresee events in Iran, Governments, banks, companies and most newspapers had all clearly under-estimated the depth of the unpopularity of the Shah's Government. For many the business Eldorado of three years ago is turning into a nightmare.

Attempts by the Shah to bring *the more moderate opposition* leaders into a coalition Government have collapsed in face of the intransigence of *Ayatollah* Khomeini, the main focus for opposition. But the moment when the departure of the Shah would have resolved the crisis may well have passed. The attack appears to have broadened into a general assault *on the Iranian political elite as* a whole, rather than the Pahlavi dynasty alone.

No rapid political surgery is likely to produce a stable Government in Iran capable of formulating long term economic policies. The numerically mas*sive but inchoate opposition is* united primarily by its dislike of the *status quo.* Western interests involved in Iran are therefore faced with a crisis not only far bigger than they had foreseen as recently as six months ago, but one to which there is no end in sight. To take a pessimistic view it could well be two or three years *before a stable and authorita*tive Government is once again in power.

Together with Saudi Arabia Iran has provided the largest developing market in the Middle East. Oil and gas revenue jumped from \$4.6bn in 1973-74 *to about \$20bn the next year.* The Shah spoke of his country becoming the fifth industrial power in the world by the end of the century. Big civil and military projects, including such items as 20 nuclear power stations, were planned for an economy lacking the necessary infrastructure and skilled manpower.

The current *crisis* clearly requires a totally new list of economic priorities Even taking into account underspending in some sectors, this year's budget target of \$59.2bn required heavy borrowing at home and abroad.

Since then there has been a pay increase for 900,000 civil *servants costing some \$2bn.* Some 61,000 oil workers have received a rise of at least *22.5 per cent, though strikes in* the oilfields may well bring oil revenue down to \$17bn this year. The Government may well have to let foreign exchange reserves fall below the \$10bn mark.

In the light of the shortfall in revenue, the Government will inevitably cut back on the more ambitious projects. But *the chaos in Tehran,* the rapid changes among senior government officials, strikes in the *banks and ministries, and the* concentration on day-to-day survival by the Shah and his Government mean that there is little by way of long term economic planning going on. The planning and budget commission is meeting to prepare a new budget. It is rumoured in Tehran that it could appear soon but it is unclear on what economic assumptions if any, the commission is operating.

Progress payments from Iran have always been subject to long delays, so that it will be some time before it becomes clear how seriously companies will be hit. Bell Helicopter Textron has *for the moment stopped* work on its helicopter co-production deal, costing a total *of* \$575m, because advance funding requirements have not been met. The Italian State-controlled engineering group Condotte d'Acqua, involved in the construction of a \$1.5bn harbour project at Bandar Abbas, is reported to be owed some \$190m.

Riots in Tehran: demonstrators make a bonfire of a jeep and of furniture dragged from a bank

Banking system chaos

Companies facing delayed payments are for the moment intent on avoiding making too vociferous complaints. They are aware that the delays are frequently the consequence of the chaos in the Iranian banking system. The Central Bank, for instance, is not working though its governor insists that it is *not on strike.* With many banks closed and others destroyed or damaged in the riots contractors on the spot are also the victims of short-term cash difficulties.

What is equally worrying for such companies during the next few months is the growing hostility towards the 100,000 Americans, Europeans, and Japanese in Iran. The common Iranian belief that the Shah's future is more closely linked to the support of America and Britain than in fact it is means that *they face a rising tide of* xenophobia. Their high salaries have long created ill-feeling.

The 45,000 U.S. expatriates are the most vulnerable. Besides them, there are some 13,000 West Germans, 10,000 British, 7,500 French and 7,000 Japanese in the country. Physical attacks on foreigners have been few, but the removal of foreign experts has frequently been a part of strikers' demands. American *Bell International had some of* its staff providing training and management to the Telecommunications Corporation of Iran locked out by strikers last month. Some 250 of Bell's employees on this contract are now being removed and replaced by Iranians.

The American arms contracts, on which many of the expatriates are working, could well fall victim to any major cutbacks. *Since President Nixon promised* the Shah any arms he could buy in 1972, Iranian orders for *highly sophisticated equipment* have accumulated. There are some \$12bn. worth of arms in the pipeline. These include 160 F-16s from General Dynamics worth \$3.2bn. Additional supplies of F-14s and F-4e aircraft may also be in jeopardy. So *could the Boeing 707 Airborne* Warning and Control System (AWACS).

With a military Government in power the planning and budget officials may feel constrained to avoid cutting too deeply into defence spending. *The loyalty of the army* is clearly crucial to the Shah's survival. This could put the onus of cuts on the navy which was due for a four-fold expansion. *The four Spruance destroyers,* each costing \$366.6m, which the navy has order from the U.S. might therefore well be dropped.

A reduction of naval expenditure will also hit West Ger*many.* In the first half of this *year most of the DM 3.1bn* (about £828m) West German exports to Iran consisted of machinery, machine tools, process plant and vehicles. But last year Herr Hans-Dietrich Genscher, the German Foreign Minister, ended Bonn's self-*imposed* limitations on selling arms to Iran by declaring that the country was no longer "an *area of tension.*" Howaldtswerke-Deutsche Werft of Kiel subsequently won a DM 1.2bn contract for six diesel electric submarines, considered crucial for maintaining 1,500 jobs at the Kiel naval yard. A further big order for the supply of other *warships,* including *frigates,* minesweepers, and fast patrol boats on which there had been negotiations is now unlikely to be signed by Iran.

Despite Iran being West Germany's single largest oil supplier in 1978, the Germans *had a trade surplus of DM 500m* with Iran in the first half of this year. Kraftwerk Union has 3,000 expatriate staff building two nuclear power stations and had hopes of a further order.

It was to have been for four such power stations, worth DM 12bn to DM 13bn. The company's chairman, while say*ing he still expects the deal to* go ahead, has warned of serious consequences for Kraftwerk Union if it did not. Given that the power station programme is regarded in Iran as the most expensive white elephant ordered in the years since 1973, a cancellation is very much on the cards.

Britain is less immediately *vulnerable than the U.S.* to the cancellation of military projects, if only because at least 800 of the 2,200 Chieftain tanks have already been sent to Iran. So far the 1,000 special Shir Iran version of the Chieftains are being delivered without problems. The £400m project by British Aerospace to build tracked Rapier anti-aircraft missiles in Iran has been changed. *The missiles will* now be built in Britain.

Both Laing and Wimpey, the construction companies, are heavily committed to Iran, working as sub-contractors to International Military Services, contracting arm of the Ministry of Defence. IMS, which is extremely close mouthed about its operations in Iran, is currently *thought to be supervising pro*jects in Iran worth £700-£800m. It insists that its work is going ahead normally. Most of it in any case is outside the main cities. But in the present crisis such optimism could be short lived. For the 200 British companies *with offices.* in Iran the outlook is inevitably uncertain.

Neither France nor Japan *have benefited very much from* Iranian military expenditure. But, like the West Germans, French contractors will probably have to be satisfied with only *two nuclear power stations.* The Tehran underground in which French engineers were also involved is likely to be delayed. Peugeot has a production agreement to produce Peugeot 305s in Iran for which the French company would initially provide most of the parts.

The Japanese have expressed worry about the future of the *petrochemical plant which* Mitsui is building at Bandar Shapur for which the company is looking for backing from the Japanese Government. The prospects *for the southern oil* refinery on which 3,500 Japanese are working looks distinctly better.

All the companies which have contracts in Iran have every reason to be worried. Even without cancellations, nobody looks forward to prolonged negotiations on escalation clauses with an unsympathetic Government.

The economic policy of the opposition is unclear but ominous. The effectiveness of Ayatollah Khomeini's call for a strike *in the oilfields shows his* influence among the Iranian workers. He has already attacked the U.S. military contracts as being without benefit and at the beginning of this month simply stated that "all these contracts which are against the *national* interest will not be acknowledged."

MEN AND MATTERS

Keeping in peak form

With the snow off his boots for another year, Sir George Bishop had his feet encased in daintier footwear—back under his desk yesterday after another round *in his battle with Nature.*

Bishop, 65-year-old chairman of Booker McConnell, who takes his wife Una, 60, along on his mountaineering jaunts, tells me their latest victory was over Mera Peak (21,200 feet), 30 miles south of Everest. "I think that's higher than anyone in the City has been," he says. "Not bad for a couple of old age pen*sioners . . . And we're back in* time for the Alpine Society dinner."

Mera was first conquered by a member of John Hunt's Everest team back in 1953, and when the Nepalese opened it for climbing the Bishops were among the first in the queue.

Mera has not yet been tainted by Everest's near-commer*cialism: "For 23 days we never* saw a village or a house," says Bishop, who admits that the time and money required to risk his neck in this way is one of the advantages of his changing sides 17 years ago, when he succumbed to the blandishments of a former colleague and left the Min of Ag for the City.

Apart from being such an able practitioner, Bishop has also diplomatising on behalf of fellow climbers. When he visited Peking with Lord Roll in October, he established contact with prominent Chinese *mountaineers,* and hopes to regain access to Tibet for British climbers, something *Lord Hunt is keen to arrange.*

Among other things it would make it possible for the British to climb Everest by the true blue northern route.

He himself is not planning to climb Everest—"you don't want to be over 30 for that"—*but his climbing days are by* no means over. "When there's a power cut I can still race the rest up the 12 storeys of Bucklersbury House."

Down to earth

An elegant little office in London's theatreland might sound an unlikely place to be talking to the first man to drive a car on the moon. But David Scott, *veteran of Gemini 8,* Apollo 9, and commander of the Apollo 15 moon landing, is *increasingly often in Britain,* which he tells me is full of "forward-thinking companies" generally more interested than their U.S. counterparts in exploiting the scientific spin-offs of space travel.

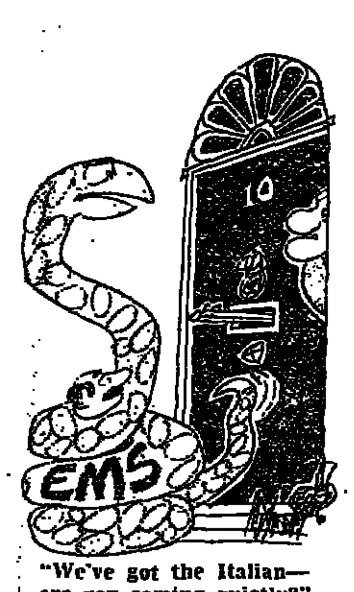
Since leaving his job as a director of NASA *a year ago* — "it had got rather quiet" — Scott has set up his own company, *Scott Preyss Associates,* and now also a British enterprise Scott Preyss Wraxall, to *bring the expensive fruits of* space travel back to earth.

He is negotiating with eight UK companies, he tells me, among them Cam-Gears, whose chairman Douglas Leese is favourably disposed — he is a partner in Scott's British venture.

"So much of this technology is not being used," says Scot, 46, *who sees applications for* "technology transfer," his favourite expression, in almost *everything, from hearing aids* to drills and ballpoint pens.

He is one of the few ski-ers who never has trouble with misted goggles — thanks to smearing on a liquid used to prevent space helmets fogging over. Now he is planning to try it out on windscreens.

His optimism is universal, but he permits himself a little *extra when talking about* a sound sensor which he hopes to apply to, among other things, testing oil rigs. He is already having discussions with "one of your smaller oil companies" about supplying constantly available information about the state of rigs, not only to avert disaster, but to collect data for the next generation of rigs.



"We've got the Italian—are you coming quietly?"

New programme for pets

After one year I would have been booted out of office, impeached and my head shaven, a computer informed me yesterday morning. I had been playing the game El Presidente with it—simulating that I was the president of the mythical south east Asian state, Pora Singa. Nor was I much more successful with an artificial psychiatrist's programme. After the computer asked me if I hated my mother I replied by putting the same question to it: "I will ask *the* questions if you do not mind," came the answer.

These *games* were only two of the increasing range of programmes which the firm Softpet, based in a Newbury farmhouse, is putting up for sale. They cost a total of £17.50 and are the *lighter side of its more serious* business of selling cheap business programmes for a cheap computer.

The computer, Commodore's *Pet,* is now being sold in 60 retail outlets for under £700 and over 4,000 have been sold here *this year.* But Julian Allason, director of Softpet, points out that like a gramo*phone a computer is useless* unless it has something to play. He says that programmes are often twice as expensive as the computer in which they are being used and has developed a series of basic accounting and stock control programmes for under £20 each.

Allason who is aged 30 claims to have imported the first car *stereo to this country and* then spent three years trying to introduce video TV recorders—a product selling in the U.S. at well under half the price here. Now he believes that computers such as the Pet will eventually catch on as they have in the U.S. where school children, he says, walk into shops to buy them. "Here small businesses buy them for their VAT calculations, then they think of stock control and then they move on to chess. Now we are developing computer widows—but I have some programmes for them too, a list of chicken recipes employing critical path procedure."

Healing words

Overheard in a doctor's surgery: Patient—"I feel sort of shaky." *Doctor:* "There's *a lot of what* you've got going around. It'll clear up in time But if you want a second opinion, come back tomorrow."

Observer

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FINANCIAL TIMES SURVEY
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Spain

The approval by referendum of the new constitution is a big step in Spain's road to democracy. Making this apparatus function efficiently will be a major task in the next few years. Another will be to tackle the considerable economic problems facing Spain, especially in view of the country's aspirations to EEC membership.

Free from the past

By Robert Graham, Madrid Correspondent

THREE YEARS after the death of Franco, Spain has finally acquired the last fundamental element of its new democracy. The approval by referendum on December 6 of a democratic constitution which places sovereignty with the people and adopts a "parliamentary monarchy" has cut Spain loose from the past. It is to be hoped too it will be seen as a real reconciliation of the dreadful divisions created by the Civil War which have cast such a shadow over Spain for the past 40 years. This is an achievement for which Spain justly deserves praise.

The elaboration of the constitution has dominated the political scene this year; the achievement of a consensus on the articles of the constitution has been the Government's overriding concern. The 169-article document that has emerged from special committees and exhaustive parliamentary debate is cumbrous and oscillates between vagueness and precision. It ducks some issues—such as divorce and abortion—which in the future could provide divisive and blurs others like the rôle of the church. The particularly Catholic nature of Spain is specifically recognised and there is no clear-cut distinction between Church and State. But on balance the constitution is a happy compromise, leaning on the conservative side.

The constitution has been approved by 87 per cent of those who voted, and was directly opposed through a negative vote by just under 8 per cent, the remainder either filing blank forms or improperly filled returns. The turnout was disappointingly low, with 32 per cent of the electorate either staying at home through political indifference or as a means of protest. In the two key Basque provinces of Guipuzcoa and Vizcaya there was a 20 per cent average negative vote and a further 56 per cent abstention, higher than anticipated. The Basque country apart, the abstention rate probably owed much to Spaniards taking the constitution for granted.

Approval ends the constitutional vacuum that has followed Franco's death. In practical terms this means that the Fundamental Laws — the authoritarian series of decrees and laws which Franco employed to govern—no longer apply. Parliament now has all the necessary authority to act as the legislative body and the monitor of the monarchy.

Approval

The King, who has since the return of democracy, directly appointed the two Prime Ministers in office so far without consulting Parliament, can only do so now with parliamentary approval. Although his powers are strictly limited he is recognised as the focus of unity and the arbiter for the nation. Because he has played such a key part in the transitional period and because he has the confidence of the major political parties and the armed forces, it is likely that he will retain a vital though more backstage role.

Having the full apparatus of democracy is one thing, making it function is another. For some time to come this is going to be difficult. What has happened since Franco's death is that the new democratic apparatus has been introduced while much of the old has remained. A free Press, an elected Parliament and the restored trades unions have grown up beside the previous pillars of the state — the Franco appointed judiciary, the armed forces, the Church, the civil service and big business (largely the banks).

The policy of the King and of Premier Adolfo Suarez has been to build up the authority of the democratic apparatus without wholly alienating the still powerful interests of the former regime. This has meant that the armed forces have been treated with great deference—although changes have taken place within the senior command structure and Defence Minister General Gutierrez Mellado is much disliked for doing so. The ethos of the armed forces is being slowly steered towards acceptance of democracy but no one has dared to speed up, for instance, the rewriting of the military code of justice.

Again, in the case of the civil service, the Government has been obliged to absorb the entire Franquist administrative structure including those bodies whose function was para-political, saddling itself with a multitude of underworked mediocre talent which it can ill afford to keep on its payroll.

Such a kid glove approach has been the only viable policy short of radical change — which if adopted would almost certainly have aroused the old tensions that led up to the Civil War. The delicate balance between reform and the old regime was well illustrated last month.

Military intelligence discovered a scheme by disaffected Right-wing officers in the armed forces and police to seize the Cabinet and hold it to ransom against the formation of a government of national reconciliation. No matter how far-fetched the scheme might have been there were senior officers who knew about it and made no effort to denounce it. The overall loyalty of the armed forces is not in question but the widespread tolerance of the plot has served as an uncomfortable reminder of past sympathies.

The real danger to the fabric of the new-found democracy is now seen much more in the mounting wave of politically motivated terrorism. This year there have been over 80 political assassinations, mainly directed against the security forces. Responsibility for over half has been claimed by the militant Basque separatist group, ETA which is deliberately provoking the Government by such attacks and making demands which no Spanish Government could possibly meet.

The security forces are deeply discontented at the seeming impotence of the Government's law and order effort. The trouble is that the security forces — the para-military Guardia Civil and the Policia Armada—were trained under Franco with no democratic constraints on their mode of operations. Thus while the security forces remain unable to adapt, there is a risk that terrorism could become an accepted fact of life in Spain.

The Government itself has to take some of the blame for the edginess over terrorism. Several political killings have been either claimed by or blamed on the Left-wing extremist group Grapo (First of October Anti-fascist Movement). But the authorities have made no convincing effort to explain what Grapo is or what its motives are. So there are the beginnings of the same public confusion over the complexion and direction of political violence as there was in Italy in the late sixties and early seventies.

This tends to lessen credibility in Government institutions—a credibility which is being further eroded by a noticeable rise in irresponsible journalism whereby stories which are only half-truths are printed as fact.

Government is still conducted in a very secretive way—a hang-over, one suspects, from the old regime. For instance the reports by special parliamentary commissions examining the deaths of two persons in violent incidents in Malaga and Tenerife a year ago were discussed behind closed doors. News of the abortive coup in November was leaked to the Press. No Government statement was forthcoming until five days after the initial arrests and even then its anodyne quality left more questions unanswered than resolved.

Silence

Despite commitments to greater public accountability there is very little of it to see. This conspiracy of silence is compounded by the fear on the part of the Socialist and Communist Party leaderships of exacerbating feelings. They have lain low while democracy is being established. One of the outstanding features of the three years since Franco's death has been the low profile stance of the Communists.

Yet too much criticism at this stage would be churlish and misplaced. Overall, the political leaders of the main parties have stuck together and adopted a moderate posture out of a genuine sense of national interest. At the time of the June 1977 elections the Socialists privately hinted that neither they nor more particularly the country was ready for a Socialist Government. The Communists have been more than happy to be a party to consensus politics. For them their signature to the Moncloa pacts in October 1977—the package of economic measures and political reforms signed by the main political parties—was a form of "historic compromise" on the part of the Government.

The passage of the constitution introduces what promises to be a more complex political phase in which the consensus — essentially between Sr. Suarez' ruling Union de Centro Democratico (UCD) and the Socialist and Communist Parties—is going to be severely tested.

The Socialists are now anxious for a taste of government and reluctant to see Sr. Suarez consolidate his own and UCD's position through to 1980. The Communists, who control the main trade union force in the country, would like to see Sr. Suarez continue in office. But for their support they want something in return. Sr. Suarez on the other hand is showing signs that he regards the Moncloa pacts as a once-for-all arrangement and does not want to be seen to be associating so closely with the Communists, for such a tactic is losing him votes on his vulnerable Right flank.

Against this background Sr. Suarez, who clearly wants to shed the image of a man of the transition, has to decide on how to approach municipal elections.

Municipal elections were originally expected early this year. They have, however, been consistently postponed, largely because the Government wanted to get the constitution out of the way first. Sr. Suarez also knows full well that the municipalities — staffed with appointees of the former regime, some of whom have changed to UCD colours—would swing towards the Left.

His main preoccupation therefore has been how to offset a potentially damaging electoral swing, albeit at the local level. Under annexes to the constitution he is obliged within 30 days of official publication of the constitution text (around Christmas) to seek a vote of confidence in Parliament or opt for general elections. He could well opt for both and many now feel general elections will be held in the spring — in anticipation of municipal elections.

Sr. Suarez plays his cards close to his chest and operates very much on a day-to-day basis, so he is unlikely to show his hand until the last minute. The lack of certainty surrounding the political timetable has been reflected in tripartite discussions between unions and employers on wage talks for 1979. These have played second fiddle to Sr. Suarez' manoeuvrings for three months now, with the net result that a formal wage pact might not materialise—only a temporary informal one until the political calendar is clarified.

These uncertainties are also delaying any revival of investment confidence. Although the Government would like to stimulate private investment as the prime motor for reactivating the economy, this is unlikely now to happen before the second quarter of 1979.

The problem here is Sr. Suarez' increasing absorption with the politics of his own survival. For almost 18 months now he has stressed the importance of dealing with structural reforms in the economy, yet has shown no political interest in pursuing this.

As a result key elements like adoption of a new 10-year energy plan have dragged on for over nine months with no sign of daylight. This summer the decree for the restructuring of the steel and shipbuilding sectors sat in front of the Cabinet for two months before being approved.

Thus 1978—once promised as the year in which economic problems would be tackled—has become the year of the constitution. On present form next year threatens to bog the country down in elections and their aftermath, with the Government still nervously looking over its shoulder at the unresolved Basque problem.

King Juan Carlos and Queen Sofia prepare to cast their votes in the referendum on the constitution held last week

Elements of the new constitution

THE NEW 169-article Spanish Constitution approved by Parliament on October 31 is Spain's seventh since 1812. It replaces the "Fundamental Laws" by which Franco ruled.

Spain is a Democratic State committed to the ideals of liberty, justice, equality and political pluralism. Sovereignty resides in the people and emanates from the people. The political structure of the State is a "parliamentary monarchy." The unity of the Spanish nation is indissoluble but the right to autonomy of the "regions and nationalities" within Spain is recognised and guaranteed. (Articles 1 and 2).

The king is the symbol of the nation's unity and commander of the armed forces. Juan Carlos I and the Bourbon line of succession are legitimised. Hereditary succession is accepted with precedence given to male successors. The king's functions include the approval of laws, convening and dissolving Parliament, calling referendums, naming a Prime Minister after consultation with Parliament, and the right of pardon. In all cases Royal authority is subject to control by Parliament. (Articles 56-65.)

The two houses of Parliament, Congress and the Senate, exercise the legislative powers of the State. Congress, the lower house, has a minimum of 300 and a maximum of 400 deputies elected by universal suffrage and on the basis of proportional representation for a four-year term. The Senate is based on territorial and regional representation elected for four years. Privilege applies to parliamentary debate, and its members are inviolate. Parliament has the right to establish commissions of inquiry in the public interest though their findings are not binding on the courts. (Articles 66-80.)

The Government is responsible for the functioning of the State. After elections the King through consultation proposes a new prime minister who must obtain an absolute majority in a confidence vote to govern. If two months after the proposed candidate or candidates fail to obtain this majority, the King will dissolve parliament for new elections. The government is answerable to parliament. (Articles 97-114.)

The judiciary is independent responsible before the people and the law. The supreme court is the highest judicial authority. All special tribunals are abolished and henceforth forbidden. Legal aid is guaranteed. (Articles 117-27).

Human rights are guaranteed and the Universal Declaration of Human Rights is endorsed. (Article 10). All forms of torture are declared illegal and the death penalty is abolished except in time of war. (Article 15).

The armed forces are the guarantors of national soverignty as well as the Constitution. (Article 8). Military service is compulsory for all Spaniards but conscientious objection is accepted in return for some form of social service. (Article 30).

Employment

The Government is committed to a more equal distribution of income and to work towards the concept of full employment based on the universal right to work. Free enterprise in the context of a market economy is recognised. Social security is guaranteed for all. Workers have a right to a law governing their working rights and conditions, and collective bargaining is guaranteed. The right to strike is accepted so too is the employers right to lock out (Articles 35-52.)

The state promises free and compulsory education with private and state institutions co-existing (Article 27). Youth comes of age at 18 (Article 18).

Freedom of worship is a recognised. Special account is taken of Spain's Catholic heritage so that existing links between Church and State will remain. However, the Catholic Church is not specifically recognised as the State religion (Article 16).

Divorce is not formally legalised but leaves the matter to future laws (Article 32).

Regional autonomy is recognised within strict cultural and geographical boundaries. The State reserves the right to exert exclusive control in matters of nationality, emigration, foreign affairs, defence, administration of justice, penal and commercial law, foreign trade and tariffs and general matters of taxation, health, employment and culture. The regions have, subject to State approval, certain rights in fiscal, environment, health, labour relations and cultural matters. They have the right to use their own flag and while accepting Spanish as the national language can use in local administration their own individual languages (Articles 143-158.

Constitutional reform can only be instituted after approval by a two-thirds majority in parliament and then further endorsed by a national referendum. The Constitution itself will be monitored by a Constitutional tribunal nominated by the king. Eight members will be proposed by parliament, who must obtain three-fifths of total votes for their nomination. Two will be direct Government appointees and a further two from the governing legal council (Articles 159-169).

Robert Graham

Record economic growth

THANKS TO a tight money policy the broad objectives of this year's economic policy have been met. Wages have been contained within the agreed ceiling of the political parties' social contract; the unacceptably high levels of inflation of 1977 have been cut; the large current account payments deficit has been turned into an unexpected surplus; export earnings have surged ahead and tourist receipts are at a record, helping in turn to raise foreign reserves to over $10bn.

The reverse side of the coin is somewhat less comforting. Because the authorities have relied essentially on a credit squeeze to enforce their objectives, unemployment has risen sharply to over 1m, internal demand has remained slack and investment in the private sector has fallen. The rate of inflation, though substantially reduced, is still double that of Spain's main trading partners and the norm for wages increases is also higher.

More serious, investment confidence has yet to be shaken out of what to an outsider seems an over-gloomy view of the country's political and economic prospects. In addition, there has been no significant structural change in the economy, so that even a modest reflation which the authorities would now like to see happen risks raising the old problem of a payments deficit and undermining the battle against inflation.

In an economy still lacking in sophisticated instruments of control, the authorities have been obliged to rely heavily on the monetary weapon. The objective for this year was to hold down the increase in money supply to 17.5 per cent with a flexible margin of two points either side of this band.

The latest projections suggest that money supply will have increased an average 19-20 per cent at year-end. This is slightly higher than anticipated and is affected by the seasonal demand for cash by employers paying end-of-year bonuses. Whether or not this is a distortion, as the authorities claim, is a matter of argument.

Basically the strategy has been to restrict the growth of private sector credit except where exports were concerned and boost public sector credit. As a result private sector credit has only grown 12.5 per cent and this has been the principal dampener on economic activity.

Consumption

Consumption in the private sector has grown only 1.7 per cent (against 3.5 per cent for public consumption). Gross investment is expected to have declined over 4 per cent while Gross Domestic Product (GDP) will have grown at between 2.6 and 3 per cent. GDP has been accidentally high, partly because this has been an exceptionally good year for agriculture, with growth at 8 per cent. Tourist receipts were 34 per cent up in the first nine months and could top $5.5bn for the year. All this has offset a stagnant year in the industrial sector where the main activity has been in stockbuilding and a switch to exports. For the year as a whole exports are expected to have increased 12 per cent in real terms, almost twice the OECD average, and three times higher than the growth of import demand.

A crucial element in the low level of import demand has been lower than anticipated energy imports. This reflected both reduced industrial activity and increased use of hydro-electricity from dams which had benefited from good rainfall.

Lower than anticipated energy imports plus a record year for exports have transformed the current accounts payments picture. Compared with a $2.5bn deficit last year, Spain should now end the current year with a surplus of around $700m.

This strong external position has been reflected in the early repayment of the famous $1bn Kingdom of Spain loan of 1976 and a steady appreciation of the peseta against its main traded currency, the dollar. Indeed, the peseta has now virtually recouped its original dollar parity before the 22 per cent July 1977 devaluation.

The relative strength of the peseta has helped to contain inflation—much more, one suspects, than the authorities are willing to admit. One economist recently estimated that the appreciation of the peseta had knocked four percentage points off the inflation rate.

This time last year it was running at almost 30 per cent. With some uncomfortable hiccoughs in June, July and August it now looks as though the figures at least (there is scepticism over just how representative they are) will record by the year-end an annual rate of 17 per cent. Even this has been achievd with a certain sleight of hand since several important increases—in the cost of utilities and industrial fuel oil for instance—which should have occurred in the autumn were postponed.

The wage element in the inflationary picture has been the least variable. The 22 per cent wage ceiling has been observed, although most agreements went up to the limit and a few managed to squeeze round by altering the categories of employees.

Basically, the wage ceiling has worked because it was a generous one, and because wages have kept ahead of inflation (real disposable income has increased 3 per cent this year against a negative movement last year). In addition, companies made it clear to the unions that their cash flow positions could not tolerate higher demands. The sharp rise in company bankruptcies and debt moratoria bears this out. Indeed the whole emphasis of union negotiations this year has focused more on job security and improving work conditions than wages.

In retrospect it seems that a lower wage ceiling could have been imposed—and made to work. Certainly the generous 1978 increase makes the Government's target for 1979 look harder to obtain. It is seeking to enforce a 12.5 per cent limit.

So far it has sought to achieve this through tripartite negotiations with the trades unions and the employers. But it may well forego the idea of a formal pact and simply fix a 12.5 per cent ceiling for the public sector and leave the private sector employers to haggle with the unions, knowing full well that the restrictive monetary policy intended for 1979 will impose a logic of its own.

The Government's economic projections, which are the basis for the tripartite wage negotiations, envisage a 17.5 per cent increase in the money supply (M3) with private sector credit

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More openness in foreign policy

WITHIN 48 hours of the discovery of an attempted right-wing military coup last month, King Juan Carlos of Spain had flown to Mexico City to begin a three-week tour of Central and Latin American countries, declaring at the start of it that there was no danger of his country's newly-born democracy floundering. The attempted coup was perhaps the most serious in a series of domestic crises which have wracked the Spanish Government throughout 1978. This year as much as any year since the death of Franco, there has been a need to "sell" the image of Spanish democracy abroad and, by so doing, to strengthen the delicate Spanish State through increased international ties of friendship and support.

In this context, the Spanish monarchs have had their crucial role, as Spain's leading diplomats confirmed. The last years of Francoism saw an ageing dictator, increasingly enclosed within himself, as cold to the world as to his own people. In the 36 years of his Government Franco's main visits abroad were to see Hitler, Mussolini, and Salazar. In stark contrast, the young King and Queen have, in less than two years, increasingly personified the openness of democratic Spain, during travels which have taken them all the way from Washington to Peking.

Memorable

Perhaps the most memorable image reflecting this was the King and Queen's visit to China at the beginning of the summer. This was the first visit to a Communist country by Spanish heads of State in modern history, and in Shanghai, Spanish journalists rightly marvelled at the sight of King Juan Carlos toasting the health of the local revolutionary committee. The Spanish monarchy's diplomatic offensive has of course not been without its more practical consequences. The visit to Latin America for example has again confirmed the Spanish Government's desire to pull away from the vagaries of the past.

The common language and cultural links which dominated a rather maternalistic attitude towards Latin America have been supplanted by a pragmatic approach aimed at solidifying already considerable trade links. At a time when Spainsh industry is struggling to promote its export potential, such an approach seems more realistic than a hankering after Columbus and the glories of the Spanish Conquistadores.

As is the case with the Portuguese Government and its relations with its former African colonies, Spain still sees itself as a possible intermediary between Europe and the Third World, once it has joined the EEC. Spain's approach to the EEC remains the single major initiative that the Spanish Government has taken in foreign policy.

A major step towards rationalising the intricacies of Spain's application to join the Community occurred in February when the Government created a separate Ministry that would deal directly with all matters related to EEC membership.

Significantly the Ministry led by Sr. Leopoldo Calvo Sotelo has taken upon itself the crucial task not only of negotiating with Brussels, but also of generating debate and discussion among the public at large, on the question of EEC membership.

In October it launched a three-month campaign aimed at stirring the Spanish media and through it the man in the street from a rather restricted vision of exactly what membership of the Community would mean to Spain. Here again one has a clear instance of the Spanish Government consciously pulling away from the vagueries of the past and instead attaching considerable importance to the practical aspects of the matter in hand.

Sr. Calvo Sotelo works with a technical secretariat and a staff of experts who have been remarkably successful in distributing considerable dosages of well researched information on the EEC. Clearly though the Minister will have more on his hands in the coming months than simply responsibility for information. The visit of President Giscard d'Estaing to Spain this summer confirmed that a number of member countries feel distinctly uneasy about the implications of full membership for Spain.

The most touchy subject remains that of Mediterranean farm products. Both France and Italy realise that their agriculture would be thrown on to competition from Spanish farmers once Spain has joined the EEC. From th Spanish perspective an equally worrying aspect concerns industry, protected for so long during the Franco years and now having to grapple with the realities of European competition.

Clearheadedness has developed this year regarding the problem of Western Sahara. Ever since Spain withdrew from the area three years ago, the Spanish Government has tended to be hesitant and ambiguous on the issue. Its officially proclaimed desire to avoid a heightening of tension in the area and to allow the Saharauis to decide their own future never translated itself into practical terms. Lately, Spanish officials have begun to admit, however, that the dynamics of the situation have changed and that there is a need for a more pragmatic and less theoretical approach.

Factors

Influencing this shift in policy have been two basic factors—the coup in Mauritania which installed a Government less inclined towards a military solution to the dispute and more disposed towards negotiation—and the decreasing threat posed by the Algerian-backed movement for the self determination and liberation of the Canary Islands.

Consequently, the Spanish Government has increasingly shown a willingness to approach on equal terms all sides involved in the Western Saharan dispute, with the hope of bringing about a lasting peaceful solution. The Spanish Government Party has, for example, recognised the legitimacy of the Polisario, the Saharaui Guerrilla Liberation Movement (although Spanish Foreign Ministry officials are quick to point out that the Polisario has always been able to maintain its representative offices in Madrid in an ex-officio capacity).

Like the British in the case of Rhodesia, the Spanjards are keen to recover lost ground over the Western Sahara, and regain the confidence of its African neighbours. It particularly wants to smooth its relationship with Algeria. Spain's major trade links with Algeria have always been threatened by their declared disagreement over the Western Sahara.

Spain's attempts to reach an honourable solution in the Magbreb have recently been hampered by the attitude of Morocco. The Moroccans for the first time this year have raised in earnest the issue of Spanish sovereignty of the two enclaves, Ceuta and Melilla, which are on Moroccan territory. So far this year Morocco has shown itself reluctant to participate in any negotiations on the Western Sahara which involves the Polisario. Nevertheless, this attitude appears to be shifting slightly as a result of pressure from the U.S. administration (King Hassan of Morocco was in Washington last month and is believed to have received a warning that unless he cooled his attitude U.S. military aid could be restricted in the future).

The Spanish Government, however, cannot count in the same "international pressure" dissuading the Moroccans in the case of Melilla and Ceuta. The problem needs to be resolved by the Spaniards and the Moroccans among themselves. The visit of King Juan Carlos to Morocco this month could play an important role in bringing about a greater understanding between the two countries.

For the Moroccans, the future of Ceuta and Melilla is tied up with that of Gibraltar. They argue that they have as much right over the enclaves as the Spaniards have over the former British colony.

Morocco will almost certainly increase her claims in the coming months given the fact that the Spaniards themselves seem closer than ever to reaching an amicable agreement over Gibraltar. It has at last become apparent to the Spanish Government that the tough tactics adopted under Franco over the Rock, far from winning the Gibraltarians over to the Spanish side, have simply rooted them in their resolve to retain British sovereignty.

Nevertheless, times have changed and Gibraltarians, increasingly aware that colonial status for the Rock may be unrealistic in a changing Europe, now toy with the idea of autonomy. Spanish officials for their part insist that an autonomous status of sorts could be spelt out for Gibraltar within the terms of the present Constitution.

Against this background, 1978 has been characterised by a more positive attitude on behalf of the Spanish, which contrasts with their previous stubbornness on the issue. Not only have Spanish politicians increased their contacts with Gibraltarian officials, but also Anglo-Spanish working parties have been established to study, among other things, the resumption of maritime communications between Spain and Gibraltar. In the more immediate practical sense, telephone links between Spain and Gibraltar have been allowed to remain open after the customary humanitarian Christmas period.

Clearly though any real progress over Gibraltar will be limited as long as Spanish Foreign Ministry officials persist in repeating their contentions in terms more reminiscent of the chauvinism under Franco than of the p ragmatism under Juan Carlos.

Claims by Foreign Minister Marcelino Oreja that the British military base in Gibraltar is a threat to Spain's security are baffling at a time when Spain is moving closer to the European Community. Equally mystifying are present Spanish attitudes towards membership of NATO and, specifically, what will happen in 1981 when U.S. bases in Spain come up for renegotiation.

Spanish Foreign Ministry officials would like to prevent Spain's entanglement in the struggles between power blocs. The powerful Spanish Socialist Party, who could well be in power next year, openly argues against Spanish membership of NATO. It feels that Spain could well develop a policy of "military neutrality," in charge of its own defence and without any formal links with military power blocs. They point out, moreover, that were Spain to enter NATO, Yugoslavia would almost certainly be compelled to join the Warsaw Pact.

Exactly how a policy of neutrality would be translated in practical terms is yet to be fully discussed. There are growing indications that the Socialists may not be convinced about the theory as they publicly would lead one to believe. Influencing a certain soft-pedalling on the issue has almost certainly been the recent attempted military coup. The Socialists along with the present Government know only too well that the best way to keep the military out of politics is to give them arms and international commitment. In this context membership of NATO remains the most accessible guarantee for making the Spanish armed forces more safely professional.

Jimmy Burns

Economic growth

CONTINUED FROM PREVIOUS PAGE

increasing at 16.5 per cent. It is worth noting that last year Professor Enrique Fuentes Quintana, when drawing up the economic framework for the Moncloa pacts, anticipated a smaller increase in the money supply for 1979—assuming that there would be some sort of renewal of the social contract. As for the inflation target, the Government is saying that this must be around 10 per cent which though still high by the standards of other European economies, would represent a substantial cut.

The Government hopes to achieve this cut in inflation while introducing a mild stimulus to economic activity. Officials believe that the worst of the recession is over and a number of indicators suggest that the economy is beginning to bottom out. Electricity consumption is almost 10 per cent up on this time last year and industrial capacity, some 30 per cent under-utilised in the first nine months, is slowly being taken up.

The Government wants to encourage this pick-up because over the next 10 years the economy will need to sustain growth levels of around 5 per cent per annum to bring Spain more on a par with the European Community. The stimulus will come initially from a 20 per cent increase in ordinary Budget expenditure to Ptas 1,732bn, which includes a special Ptas 80bn investment fund. This could be combined with some fiscal incentives to private sector investment.

This extra public spending—mainly devoted to public works but including cover for restructuring specific sectors like steel and shipbuilding—should help to produce 4.8 per cent growth. Anything lower than this will do little—if anything—to curb the increase in unemployment.

As it is no more than 150,000 new jobs are likely to be created in 1979 unless private investment picks up. This is less than the total number coming on to the labour market for the first time.

All plans contain an element of wish fulfilment, and the Spanish Government scheme for 1979 is no exception, there are a large number of variables which could change the picture.

Inflation

For a start the 10 per cent inflation target must at this stage be considered optimistic reducing from 27 per cent to 17 per cent is a much easier task then reducing from 17 per cent to 10 per cent. Increases expected in imported energy costs plus higher domestic energy prices will add at least two and perhaps three points to the inflation index in 1979.

The protection afforded by a relatively strong peseta this year is unlikely to exist in 1979. Tourists receipts will level off, exports will probably grow at 7 per cent against a higher rate for imports (8 per cent).

The feeling is that the record export growth this year was the result of a fortunate combination of events and something of a once-and-for-all phenomenon. Higher export growth can only be as a result of a downward adjustment of the peseta which would then have a negative effect on inflation.

Much also depends on the administration's ability to exercise better budgetary discipline. The budget deficit has increased this year from Pta 113bn to Pta 155bn. The most difficult element to control is spending on social security, which is still treated separately from the ordinary budget but whose total outlay is virtually the same size.

In the coming year the Government is pledged for instance to increase pensions by 12 per cent and increase overall social security cover. Until now the social security organisation has proved corrupt, inefficient and a constant drag on overall budgetary control.

The real uncertainty in the coming year stems from the political calendar. The prospect of a general election early in 1979 has delayed wage talks and cast a cloud over the permanence of any economic programme. This uncertainty has deeply affected the private sector, which by now might otherwise have been in a more bullish mood.

The real key to economic recovery lies with the private sector, more so in Spain than elsewhere in Europe, for Spanish public sector accounts for only 25 per cent of GDP. Without private sector confidence no real dent can be made in Spain's serious unemployment, which in some parts of the country is over 16 per cent of the working population.

In their present mood the employers seem unlikely to make any real move to reinvest until the early summer. In other words any serious prognosis of the real direction of the Spanish economy will have to wait until next June or July. Meanwhile the 4.8 per cent growth projections looks on the optimistic side, especially as the economies of the industrialised countries seem set for another year of sluggish activity.

Spain does have one instrument which it can play with—its strong reserves. But the authorities have been extremely conservative and may not have the nerve to use it imaginatively.

R.G.

Regionalism battles rage on

"SPAIN IS different," the glossy tourist posters proclaimed in the last years of the Franco era. Before his eyes the undecided holiday maker saw an attractive collage of the country's varied geography, from the snowy mountain tips in the north, passing through the barren plains of Castille and the blue waters of the Mediterranean ending with equal colour in the sloopy white-washed villages of the south.

Ski-ing in the Basque country, bullfighting in Madrid, Flamenco in Andalucia gave an image of Spain as a country of appealing contrasts with the country's regions all contributing to a harmonious and attractive whole.

It was an impressive concept which succeeded in diluting, for the benefit of the tourist, the political and economic realities of the time.

Spain has always been a country of contrasts, but there is more to its regions than landscapes and pastimes. It is a complex issue involving culture, politics, and economics, with each element weighing on the aspirations of a people to a large or lesser extent depending on the region. Franco anathemised *all three by subverting* regionalism to the most sacred of all his principles: the unity of Spain. Any demands for devolution during the 36 years of *his* Government were unhesitantly suppressed.

The fabric of unity was rigorously held *together* by a system of "diputaciones" or local councils all appointed directly from Madrid. The civil and military governors appointed for the regions were Francoist to the hilt. Indeed, under Franco an appointment to governorship was an important if not essential major step up the political ladder.

Because Spain was viewed as a unit, the Government's economic *plans eschewed regionalism.* The financial centre of Spain grouped naturally round the political centre and administrative centre.

The net result of all this was the increase throughout the Franco era of regional disparities which today form part and parcel of the social economic framework of Spain and present the democracy with pressing problems not easily solved.

The socio-economic map of Spain is an irregular tapestry of rich developed regions—namely Madrid, the Basque country, and Catalonia — and poor and depopulated regions — namely Andalucia and Extramadura. Figures for 1975, the year of Franco's death, show that in the two Basque provinces of Vizcaya and *Guipuzcoa* and in Madrid and Barcelona the income per capita was double that of the national average, and almost three times greater than *that of the five most depressed* provinces in Andalucia and Extremadura. Significantly, a more recent *study on the regional distribution* of rent published earlier this year by the Bank of Bilbao, one of the country's leading industrial banks, concluded *that while the rich provinces were getting richer, the poor* provinces were getting poorer.

Approved

The new Spanish Constitution, approved by Parliament in October and voted favourably on this month, bases itself "on the indissoluble unity of the *Spanish nation,* the common and indivisible patrimony of all Spaniards, and recognises and guarantees the right to autonomy of all nationalities *and regions which form part of it . . ."* (Article 2). But does it solve the problem of regionalism?

Arguably, the fact that the autonomous status of the Spanish regions is recognised at all represents a major step for*ward from the dark days of* Francoism. Yet creating the theoretical framework for autonomy is one thing, deciding on the form and extent that this autonomy should take is quite another.

Throughout the year a number of "mixed committees" involving local officials, Members of Parliament, and Government representatives have been discussing which powers could *be transferred from the central* Government to the regional administration. The Constitution states in broad terms the limits of these powers. The State, *for example,* retains exclusive control over matters of defence, foreign policy, justice, and public security (though it leaves open the possibility of the creation of an autonomous police force). What the local administration can do is referred to in less precise terms.

Article 148 lists 22 powers that could be transferred to the autonomous region. These range from the promotion of culture and tourism to the supervision of ports and hospitals (the use of the regional language and the local flag, which were both proscribed under Franco are enshrined in a separate Article). Nevertheless the list falls short of specifying how the local administration in these areas will be organised.

Only one mixed committee, that formed by the Catalans, has so far come anywhere near producing the autonomous statute for its region. The difficulties it has encountered in *formulating* indicates that the problem of regionalism has been far from solved, with the passing of the Constitution.

Observers have been watching the Catalans carefully for their statute could, once it is finally published, be a test case for a number of other regions. One of the main topics that has divided members of the committee (they are all Catalans but they range politically from the Communist Party to the right wing Popular Alliance) has centred on the financial and economic measures which should accompany the transference of powers. Catalans on the whole agree that the administration of tourism and *public transport is a lame duck* unless there is adequate financing for it. There is less concensus as to how and from where the money should come.

The *Constitution,* again in vague and rather ambiguous terms, includes a list of possible sources of financing for local administration. These range *from increasing local taxation* to stepping up direct subsidies from the State. What is left unspecified is *whether* the largest portion of the financial burden should be carried by the local authorities or by the national budget.

To an important extent the committee members have their ultimate decision considerably conditioned, for the Constitution maintains that the regions are "subject to the National Economic Plan." The statute will only be ratified once it has been finally approved by Parliament and there is historical precedents to *suggest* that an over-demanding region could have its sails considerably trimmed.

In 1932, the Spanish Republic temporarily closed the doors of the Generalitat, the Catalan autonomous Parliament, and there are clauses in the new Constitution which would allow the present Spanish Cortes *to do* exactly the same thing, if a particular region was judged to be overplaying its cards. Significantly, the text quite categorically proscribes the setting up of a federal State.

Local

That the issue of local financing could become radicalised in Catalonia was indicated in October when the central Government announced its plans for dealing with Barcelona's accumulated public transport deficit of Pta 25bn. The Madrid Government's original intention was that the burden should be carried by the local authorities and scheduled increases in local fares of up to 65 per cent. No sooner had this been announced than a major political storm erupted with the main Catalan parties, trade unions and civic organisations threatening to boycott public transport in the region's capital unless the Government plans were dropped.

Previous *smaller increases* had caused two general strikes in Barcelona. On this occasion a rather unhealthy compromise was reached with the Government agreeing to increasing fares by only 25 per cent while holding ground in its refusal to *take over the transport deficit.* The Catalans temporarily backpedalled though they are continuing to insist that the Government should take over responsi*bility for the city's debt which* they attribute unhesitantly to the mismanagement and corruption of previous administration.

If the regional problem in Catalonia *centers* for the time being on financing, the barrel of a gun still sets the pace in the Basque country. Three years of transition from dictatorship to democracy has not brought an end to the violence.

The success of the Basque and Socialist parties in last year's elections, the amnesty for political prisoners, and the setting upon a provisional basis of the semi-autonomous Basque *General council have all* combined to defuse to some extent *the tension that existed in a* region that was arguably the most brutally treated during the Franco years. Nevertheless the violence that erupted in the Basque country early this summer with clashes between police and demonstrators leaving vic*tims on the streets of Pamplona* and San Sebastian was a reminder that something was still rotten in the region.

Moreover, 1978 has been a year during which the Nationalist Guerrilla Group ETA (Euskadi ta Askatasuna—freedom for the Basque country) has stepped up its activity, claiming victims both inside and outside their more immediate operational area. In July, they *shot dead two army officers in* Madrid. It was the first political assassination of military personnel since the Civil War.

Clearly the Basque problem is *a great deal more complex than* the expression of violence by ETA. When the Constitution was debated in the Spanish Parliament, the main opposition to the provisions on the autonomy came from the Basque deputies. It was not that they *did not agree with devolution,* rather the Constitutional text, as far as they were concerned, did not go far enough on the autonomy issue. Members of the Basque Nationalist Party (PNV) walked out of the Spanish Congress in July just before final voting was taken on the Constitution, claiming that the text did not include a specific enough reference to the Basques' "historical rights," *which date back over six* centuries.

In their original form the "Fueros Forales" pledge allegiance to the Crown in return *for a number of political, cul*tural and financial privileges including freedom from national service and from taxation.

While the PNV maintains *there is a limited provision for* devolution in the Constitution, it nevertheless stops short of ETA's call to violence and is politically worlds apart from the guerrilla organisation's ultimate objective: the creation of a Basque revolutionary Marxist State. Nevertheless during the referendum campaign the PNV's abstention was as awkward for the government as ETA's "no."

Most of the non-Basque political parties, including the Socialists and the Communists, *are adamant that the* resurrection on specific privileges for the Basque country would make of the region in the long run an independent state which might have serious consequences on the rest of Spain.

The constitution specifically *states that the autonomy* statuses of the regions should not "imply, on any account economic and social privileges." The Spanish State, moreover, pledges itself to the establishment of "an adequate and just economic equilibrium between *the different regions."*

Effectively the Constitution deliberately sets out to defuse the aspirations of the Catalans and the Basques, historically the most distinct "regions," and instead attempts to reinterpret regionalism from a wider perspective. Critics of the present State policy argue that the above is a contrived project aimed essentially not much different from Franco's concept *of Spanish unity.*

A more pragmatic view is that the present Government is perhaps a little more aware than Franco ever was that it is not *only in the traditional regions* that there is a regional problem. Andalucia, for example, never had "fueros." It has no distinct dialect; it has no organised guerrilla organisation shooting its way towards independence. Nevertheless, it has its own reasons *for feeling out of step* with the rest of Spain. Parts of Andalucia, like Cadiz, Malaga, and Seville have jobless unemployment ratios ranging from *14 to almost 16 per cent*—almost double the national average.

Grant

In July the Government approved a special grant of Pta 2bn to ease unemployment throughout the region by offering *emergency* jobs in public works projects. Within two months the sum had been exhausted with almost *70 per cent* of the aid being used on construction materials alone. Spain's main trade unions, who in August declared a national *strike in the Cadiz* region because of unemployment in the area, have calculated that an average of Pta 5.6m would have to be spent by the Government per day on job creation schemes alone.

The Government for its part would *like* to devolve more responsibility for local employment to the municipalities. But even when Spain has municipal elections (expected in 1979) it is clear that the problem will be far from solved. For once Andalucia has her democratically elected local representatives, the question of financing will remain. From where will the money come at a time of country-wide recession?

Looking ahead, it seems unlikely that the problem of the regions has a solution in the short term. Catalonia, the Basque country, and Andalucia are only three regions picked for their contrasts and not because these areas alone are polemical. The Constitution, though restrained on the autonomy issue has nevertheless opened *up* the possibility for devolution not only to these regions but to many others both on the Spanish mainland and out of it, such as the Canaries. The present Government is clearly caught in a dilemma. If it doesn't go far enough *on the autonomy* issue it will risk turning local frustration into radical action. To some extent this has already happened in the Basque country. On the other hand if it loosens the reins altogether it will risk alienating the Spanish armed forces for whom the unity of Spain is a sacred precept, the same as it was for Franco.

Jimmy Burns

Foreign stake still growing

THE SPANISH business view of Spain's economic prospects and that of the international community at large are in stark *contrast. Three years after* Franco's death the Spanish business community is still extraordinarily hesitant about the political and social changes that *are taking place. Nor does it* seem willing to face up to the structural changes taking place within the economy.

Investment confidence is still *lacking,* a factor which itself is helping to prolong the economic recession. Against this, international business is coming to look on Spain with a fresh eye, *aware of the changes which will* come—willy-nilly—as a result of EEC membership. The more adventurous see the weakness of Spanish management which can *be exploited. All are excited by* the prospect of gaining better access to this market of 36m people.

This contrast in attitudes is in many respects understandable. Management and industrial management in particular, has had to digest within a short period a new relationship with *labour* which recognises trades unions' rights. It has had to cope with an increase in overheads that are running at three times the European average. It has had to *absorb highr social* security payments and face fiscal reform which for once means the tax authorities can, and will, make tax collection *work.* All this has had to be digested alongside a deep business recession and a tough credit squeeze.

As a result, private domestic *investment has* declined in real terms since 1974. Significantly, however, Spanish investment abroad *has* increased during this period and in the first nine *months of this year totalled over* $550m. This suggests that lack of confidence at home remains the *key element.*

During this period the main dynamic—especially this year—has come from foreign capital. Direct investment, combined *with purchases of property, has* this year accounted for 20 per cent of total investment according to the Ministry of Commerce.

The figures speak for themselves. Direct investment totalled $404m in the first nine months, against *$247m in 1977,* while property investment, largely of Middle East origin, was 112 per cent up at $306m. On the basis of pending applications total foreign investment in Spain this year could total $1bn.

These figures underline a trend towards increasing foreign penetration of the Spanish *economy. The accompanying* table shows the sectoral distribution of investment this year—a distribution which reflects the pattern of the past few years. The greatest interest is in mining and chemicals, engineering, manufacturing and hotels. These are sectors where there is already an important foreign penetration. A book published *earlier this year called* The Internationalisation of Capital in Spain by three Spanish economists revealed just how deep this penetration is.

In a survey of the 500 top companies in Spain accounting for 90 per cent of total investment, foreign capital represented 12 per cent of total capitalisation. More significant, foreign interests had stakes in 200 of these companies, which represented *42 per cent of total* capitalisation, and of these companies, 120 had a foreign stake of upwards of 50 per cent.

Taking the chemical sector, the book showed that on the basis of a 1974 census 475 com*panies of the 1,214 in the field* had direct foreign capital participation. This capital was concentrated in the larger companies, 73 per cent of which had foreign-owned equity.

Another sector examined was mining. Here the book concluded that 87 per cent of zinc production, 82 per cent of pyrites, 75 per cent of copper and bentonite and 65 per cent of manganese was controlled by companies with foreign equity participation.

Plastics

Elsewhere it showed that 90 per cent of plastics production, 70 per cent of paints and dyes and 60 per cent of detergents were *controlled by companies* that had foreign partnership.

The list in fact covers the whole gamut of Spanish industry and some of the service sec*tors. Of course, this is not* a purely Spanish phenomenon. What is peculiar to Spain is the way in which the Spanish Government ignores the implicit message — that the *Spanish* economy is becoming less and less able to resist *foreign* penetration. Spanish industry is vulnerable to this penetration for a complex series of factors. One of the most important is the lack of spending on R and D, whether through private initiative or State encouragement. Alongside this, most Spanish industry consists of small and medium-sized companies (90 *per cent).*

The companies therefore have neither economies of scale nor sufficient distribution outlets both at home and abroad to sustain competitive prices. The cheapness of Spanish products until the early 70s depended largely on cheap labour and the absence of strikes. Moreover, a protectionist economic policy has tended to cushion management from the need for modern methods, whether in *accounting* or marketing.

All this makes it difficult for most Spanish companies to insulate themselves from the more serious effects of recession. Thus when companies over-extend themselves, or base expansion on growth projections which do not materialise, they become ripe *for foreign purchase.*

The purchase earlier this year by Robert Bosch of a 51 per cent stake in Femsa, a dynamic Spanish battery and motor components concern, was symptomatic of this. Femsa was the leading Spanish company in this field, with a large export market, but had overexpanded. Foreign companies now control *this sector.*

Another example is the plight of Seat, Spain's largest car producer. Here it is a question of a company part foreign-owned (36 per cent by Italy's Fiat) and wholly dependent on its foreign partner for technology and third country sales. Seat as it now stands cannot cope with liberalisation. Its only hope is for full integration with Fiat, and to be used for manufacturing in volume selected cars in co-ordination with the parent company.

Despite foreign penetration many international concerns agreed to enter Spain on restrictive conditions as the sole means of getting round prohibitive tariff barriers. Ford, for instance, agreed to manufacture the *Fiesta at Valencia* on condition that it could only sell 10 per cent of the total previous year's Spanish registrations on the local market.

It is now using the carrot of a prospective $700m investment to have this legislation altered. The Ministry of Industry has already prepared a paper recommending *this, since the Seat/* Fiat deal also could not occur without a change in existing restrictions on imports. This could be an important catalyst *for liberalisation.*

Many foreign investors believe that a change in restrictive legislation is merely a question of time. Once Spain has joined the EEC the same laws cannot apply, so it is a question of whether measures are adopted before entry or during the transition period, they maintain. Taking this view legislation is more of a short-term worry.

Of longer concern are the high levels of inflation and industrial overheads. In its main industrial centres Spain has ceased to be a cheap country to operate in. International companies, though more sanguine about dealing with labour, would also like a more flexible approach to "hire and fire." One *might add that they* are a little dismayed at times by the amount of red tape involved in obtaining approval for investment.

From the Government's point of view there is an urgent need for a *comprehensive review of* forein investment so that a clear policy is established in anticipation of EEC entry. The piecemeal approach so far has been unsatisfactory.

For instance, in 1974, the Government became alarmed at the mounting bill paid for royalties and licensing agreements for technology. Certain technical measures were introduced to reduce the outflow and in the first nine months of this these *payments* showed a net decline for the first time, from $277m to $244m. This, however, was in essence a negative step. Nothing was done to stimulate Spanish technology.

FOREIGN DIRECT INVESTMENT

Jan.-Oct., 1978

	Ptas bn	%
Engineering	13.5	30.2
Mining/chemicals	12.8	28.6
Commerce/tourism	8.8	19.6
Manufacturing	5.3	11.8
Insurance/financial services	2.5	5.5
Construction	[illegible]	1.7
Energy	0.5	1.2
Agriculture	0.2	0.4
Other	0.45	1.0
Total	44.8	

Source: Ministry of Commerce

R.G.

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THE REFORMS IN THE SPANISH ECONOMY AND THE FUTURE OF FOREIGN TRADE

Foreign Trade constituted throughout the Sixties one of the chief stumbling blocks in the Spanish economy. The imbalances which were appearing in the balance of payments and especially in the trading balance repeatedly gave rise to the adoption of restrictive measures which interrupted the continuity of the growth process in the Spanish economy.

After some years, the early ones of this decade, in which foreign trade seemed to have ceased to play this restrictive role, marked imbalances were again created, due to the oil crisis, in the Spanish balance of payments which in the four following years led to a current account deficit of 13,500 million dollars. It was only in the middle of last year, when the political situation became clearer after the legislative elections, that it was possible to adopt the necessary measures to correct the serious problems from which the Spanish economy was suffering and among which was that of the serious, prolonged and growing imbalance of the balance of payments.

The anxieties of the principal political forces which emerged after the elections and their willingness to come to agreement and support the adoption of the necessary steps to solve these problems enabled excellent results to be obtained in the field of foreign trade. The deficit on current account was reduced in 1977 to half that envisaged before the adoption of measures in 1978, and the balance on the current account showed the first surplus since 1973. Another factor which is proof of the notable improvement in the balance of payments is that in the last two half-years and in the one ending December 1978 the current account closed with a surplus.

Numerous factors contributed to this spectacular improvement in the Spanish balance of payments. In the first place, the restrictive measures contained in the Moncloa Pacts have led to scant growth in home demand, which brought about a reduction in imports at the same time as it led Spanish firms to look for an outlet for their products in foreign markets. The absence throughout the year of expectations for rises in the price of raw materials, along with the high cost which a restrictive monetary policy imposed on the maintenance of stocks, has also contributed in an important way to the reduction of imports. Favourable weather conditions have also enabled the deficit in farming and food products to be reduced while, at the same time, important hydro-electric reserves at the beginning of the year reduced the necessity of imported energy products.

As a result of all these factors the trade deficit will have been reduced by the end of 1978 by 2,000 million dollars compared with last year. But the improvements were not limited to the trade balance but were also significant in the invisible earnings balance, where an exceptional year for tourism provided net earnings for tourism higher than those of any previous year, while remittances from emigrants started growing again after several years of stagnation.

On the capital account, important receipts of long-term private capital have been observed in 1978 with unprecedented increase in foreign investments while the Public Sector endeavoured to reduce its foreign indebtedness, as a result of which currency reserves have increased in the remaining part of the year by nearly 3,500 million dollars.

There is no doubt that many of the factors which have contributed to the spectacular improvement of the Spanish balance of payments can rapidly disappear. The recovery of domestic demand, together with a less restrictive monetary policy will foster the recuperation of imports; will slow down the export growth and will reduce the inflow of capital. An increase in oil prices, or weather conditions less favourable than those of 1978, may be additional causes for this gradual deterioration in the balance of payments.

There is then a certain frailty about the impressive success of our foreign trade. The favourable balance of 1978 can disappear in the next few years, with a recurrence of the Balance of Payments problem, if a suitable medium-term policy is not adopted. This closely ties up, as we shall see, the foreign trade policy with the "structural reforms," both of a general and specific nature, of our system of international trading relationships.

BASIC REQUISITES FOR A MEDIUM-TERM POLICY FOR FOREIGN TRADE

The central problem of our foreign trade is that of low export capacity. The percentage of imports in relation to domestic production is similar to, or a little lower than, the European average; on the other hand, the proportion corresponding to exports is almost half the latter. As the margin of profitable substitution of imports is reduced, **the adjustment of our medium-term Balance of Payments necessarily gives rise to an increase in the exporting sector of the Spanish economy.** This effort requires many diverse measures, some of a general character and others specific to foreign trade. The most important lines of action to be followed and which are necessary so that in the medium-term the Balance of Payments ceases to be the traditional obstacle to sustained growth in production and employment can be resumed as follows:

1 Reduction of the rate of inflation so as to bring it into line with our competitors.

2 Increase in the average output of the productive system and of its capacity and flexibility for adaptation and re-allocation of resources.

3 Specific reforms in the actual field of our economic relations with the rest of the world.

The reduction in the rate of inflation is a necessary condition for maintaining the international competitiveness of our goods and services in a manner compatible with reasonable stability of the rate of exchange. The experience of the past months has shown us how the rate of exchange can follow a trend contrary to the requirements of the maintenance of competitiveness in export, due to the fact that the price of our currency is determined on foreign markets in which a large part of the flow of supply and demand bears no relation to the evolution of the said competitiveness. The supposition that in the future Spain will enter and form part of the European Monetary System—which would make it obligatory to keep our rate of exchange stable in relation to the European currencies—provides an additional argument that sustaining the competitiveness of our exports of goods and services should be fundamentally carried out on the basis of keeping the development of our production costs at levels similar to those of our competitors. In this sense, the policy initiated by the Moncloa Pact, and with which the Government intends to continue, constitutes a decisive element for the improvement and strengthening of our foreign trade in the future. This policy involves, in its combined aspects, holding down the cost of labour—through wages as well as National Assistance—and a policy of monetary austerity, or of control of demand. The more rapid the increase in labour costs the more restrictive the policy will have to be, if it is desired to reduce gradually and simultaneously the level of unemployment.

All the structural reforms being undertaken are of decisive importance for the future of foreign trade, even though they relate to the internal *working of the economy, for the simple reason* that the growth of our exports, as well as the capacity of our firms to resist the increasing international competition, depends on the degree of output, efficiency and flexibility of our economic system. The fiscal, financial, agrarian, industrial, etc. reforms have precisely as their final objective the improvement in the quality and working of the system and, therefore, its capacity to compete in international fields. Apart from this general effect—the importance of which for foreign trade should not be understated—some particular reforms have more direct and visible influence. Thus in respect of our agriculture we can allow ourselves, within certain margins, some import substitution which should not be done simply at the cost of higher prices maintained by artificial protectionism. The development of the energy plan may hold down the imports of oil, which already comprise a quarter of the country's imports. Of special importance is the reform of Social Security: the quotas paid by firms form a large part of the total costs of production, especially in the most work-intensive ones—among them the export firms: therefore, the maintenance of such costs at reasonable levels—remember that the quotas for Social Security cannot be reduced for exporters—forms an element of the greatest importance in the determination of our level of competitiveness.

Coming again to this subject of the relation between the efficiency of the productive system and its capacity for export—which, in turn, relates all the structural reforms with the policy for foreign trade — it is convenient to mention the **important changes in the make-up of our export sector which will come into operation in the coming years. Throughout the recent stages of growth in the Spanish economy we have been losing comparative advantage in a number of sectors but have gained advantage in others.** The year 1965 was an historic date in our foreign trade sector: export of food products involved, for the first time, half the total exports. In the next few years, we shall witness the loss of relative importance of many traditional sectors of Spanish exports; the crisis in the ship-building sector, and the stagnation in export of footwear or of traditional textile products are other signs of this deep transformation operating in our export sector. Economic laws finish up imposing their logic and the Spanish economy must accept the fact that it is increasingly difficult to compete with developing countries of the Third World in work-intensive products and those using outdated technology. To compensate, up-to-date sectors are appearing which are relatively more qualified labour intensive and more intermediate technology intensive (equipment goods, motor-cars, electronics, etc.), the products of which are already competing favourably in the markets of the most advanced countries. **These changes in international specialisation will oblige Spain, in turn, to undertake an important domestic re-allocation of productive resources, both material as well as human, if it does not wish to seriously endanger the increasing international presence of the Spanish economy. This change in orientation demands a high degree of flexibility in our economy through the strengthening of a modern market economy** based on the decentralisation of decisions which can be adpoted with smoothness and speed in accordance with rational criteria. In this sense, the revision of the existing system of labour relations—to permit a more adequate movement between sectors and between firms, of the labour force; the introduction of greater degrees of competition in the financial system—so that capital comes to the most socially convenient lines of production; less bureaucracy in State intervention—providing more freedom of movement on the part of the firm: the abolition of official technical aid to *sectors or firms of doubtful viability:* **the removal, in short, of all obstacles which reduce efficiency by reducing competition—these are so many other "structural" measures on which the future of our foreign trade depends.**

In addition to the effect of general structural reforms on foreign trade, a number of specific measures in this field are indispensable, to be inspired also by the logics of the market mechanism. All these measures form part of a medium-term plan. Among the steps already taken, or about to be taken, the following are outstanding:

1 **Reinforcement of the institutions and instruments for fostering exports**

2 **Policy of liberalisation and substitution of import**

3 **Simplification of administrative procedures**

4 **Liberalisation of the Spanish investments abroad**

5 **Progressive State funding of the Social Security Budget**

6 **Reorientation of Tourism Policy towards higher quality, rather than higher quantity**

CONCLUSION

The efficiency of all these specific measures must be evaluated by taking a comprehensive view of them. No particular one of them is decisive in giving us future assurance of problem-free Foreign Trade, but if they are considered simultaneously they become very important in as far as they reflect a **qualitative change in the orientation of our policy in this field.** Two distinctive features with regard to periods in the past give us an idea of the nature of this change. First of all, the Foreign Trade policy is being formulated with a medium-term view which avoids improvisations and the disruptive effects of adverse circumstances. In addition, Spain's entry into the EEC is providing a clear horizon for the moment and some definitive guidelines. Secondly, the Foreign Trade policy is now being regarded less and less as something which is separate from domestic policy and express consideration is being given to the effects of domestic institutional and structural changes on our Balance of Payments and in turn the Foreign Trade policy is becoming more appreciated as a relevant instrument for the purposes of solving domestic problems.

It is this conception of foreign economic policy from a medium-term, temporary view-point and closely linked to a world-wide economic policy which enables us to give due evaluation to the pending structural reforms. The essential thing about this new orientation is that it is in keeping with what is logical and coherent in domestic policy and it is common both to the general reforms within the Spanish economy and the specific reforms in the Foreign Trade sector. This logical element is that of the market mechanism, acting as a guide for obtaining a greater degree of efficiency and as a basis for a democratic political system. **The inspiring principle of this whole set of measures is the introduction of greater degrees of freedom and competition, the gradual reduction of unnecessary and distorting administrative interferences and, all in all, the provision for our economic system of a similar profile to that of the most advanced European** countries of whose community we shall be forming a part in the near future.

The Foreign Trade policy is an essential part of this new philosophy because it is an effective means of increasing the level of genuine competition between the different companies, progressively bringing them into contact with the bracing atmosphere of foreign markets. This could be a decisive contribution from the Foreign Trade Sector to the efficiency of the Spanish economy and it is this *gradual* increase in efficiency — which requires *reforms other than those to which we have referred* — which is the greatest contribution the productive sector can make so that in future Spain can have more stable and less restrictive Foreign Trade.

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Squeeze shows up banks' failings

SPANISH BANKERS are not in a buoyant mood. This has been a difficult year, dominated by the problems of accommodating a tough credit squeeze, which has pushed up interest rates to unprecedented levels. This in turn has both reduced the amount of anticipated business and put pressure on profits—though less, one suspects, than the banks claim.

In a more sophisticated banking system the authorities' use of the money supply as the prime means to control inflation might not have had such a significant impact. However, the structure of the banking system in Spain has made it particularly vulnerable. For a start there is no fully developed money market.

This did not matter so much when interest rates were carefully controlled by the Government as the bulk of medium and long-term funds could be obtained through the system of "privileged circuits"—cheap funds made available through specific quotas of deposits obtained by the State from the commercial, industrial and savings banks. But it has been acutely felt now that these quotas are being gradually cut. This year medium-term domestic finance has more or less dried up.

The credit squeeze has been aggravated by the switch in the use of funds by the savings banks, which account for some 30 per cent of total deposits. Instead of applying funds to industry, the savings banks have tended to concentrate an important slice of their funds in building and housing loans. This in turn has resulted in more pressure of the banks to provide funds for industry.

A third factor has been the way in which the credit squeeze has been applied. The Government's macro-economic projections envisaged an overall 20 per cent increase in domestic credit. However, with the emphasis on exports and the public sector the real growth has come from these areas, while commercial bank credit to the private sector has risen 12 per cent.

An additional element has been the decline in stock market prices. Share values have tumbled and companies which traditionally looked to the stock exchanges as a means of finance have found this source either impossible or unprofitable to tap.

Pressure

Taken together, these elements have put tremendous pressure on scarce resources in the private sector. This pressure has in turn been reflected in the extraordinarily high day-to-day interest rates which on occasions have risen to over 45 per cent. Again these figures must be taken in context. They reflect the fact that the small and limited money market is easily distorted by the presence of one large buyer.

The hardest hit in these circumstances have been the 24 industrial banks, the nearest equivalent Spain has to a merchant bank. They have been paying very high interest rates when many have needed to refinance existing debts. Moreover, they have equity commitments throughout industry which have caused difficulties in portfolio management.

Consequently these banks have witnessed only minimal growth in their overall investments. Industrial bank credits increased 0.3 per cent in the first nine months of this year against 18 per cent and 28 per cent in the two previous years. At the end of November the Bank of Spain decided to exempt bonds and share certificates from inclusion in the proportion of deposits industrial banks were obliged to place with it. This ruling is expected to release some Pta 17bn. Some of the industrial banks are also making substantial bond issues (at rates of 12 and 13 per cent) successfully absorbing private savings which in normal times would have used the stock exchanges.

The banking community was sufficiently concerned by the continued high level of interest rates to write a letter to the bank of Spain urging a change in policy. The bankers argued that liberalisation of rates and a tight credit policy had been imposed without adequate back-up measures. They also maintained that profits were under pressure.

Jolted

The authorities have shown little sign of sympathy. They maintain that the banks, so long protected from market conditions, have taken an excessively gloomy view. Moreover, they see no reason why the banking system should not be jolted into a more realistic view of a liberalised economy. There is a good deal of padding within the system which with good management can be cut out to absorb the high cost of borrowing—and this is recognised by the more sanguine among the banking community.

The squeeze on banks resulting from the tight money policy and the recession has tended to accelerated the process of consolidation of banking interests. The emphasis has been more on modernisation than on expansion. The monthly average of new offices opened is 25 per cent down on the previous year. The growth that has taken place has tended to be among the larger banks.

Throughout the year there has been a distinct pattern of deposits and business being switched from the smaller banks to the larger. This is not surprising in a country where there are 108 commercial and industrial private banks, especially when some of the smaller have come badly unstuck on the classic stumbling block of borrowing expensively and then lending at high rates to attract business.

Since January last there have been three bank collapses. The first and most spectacular was that of Banco de Navarra, which collapsed in January with debts totalling some Pta 5bn. Here, in addition to paying above-the-odds interest to attract business, Banco de Navarra expanded too fast. It was also affected by a recession in the construction sector.

To ensure that confidence in the banking system was not damaged the Bank of Spain was obliged to step in and "hospitalise" two banks—Cantabrico and Meridional. The Bank of Spain along with other private banks formed a special consortium on a 50/50 basis with a Pta 500m capital to try to prop up these two banks. This is regarded, however, as a once-and-for-all procedure.

If the Bank of Spain has its way in the future, banks in difficulties with records of bad management will either be bought up by another private bank or go to the wall. A special fund exists to protect depositors.

When they happened these collapses sent a tremor throughout the banking system. But now their collapse is treated with less concern. Indeed, the main criticism from outside is that the banking community has tended to turn in on itself and has sought to avoid having dirty linen washed in public. So it is hard to gauge whether the lessons of these collapses have been fully learnt.

The other aspect of consolidation has been the absorption of smaller and medium-sized banks by the large banks. The most significant mergers have been that of the largest bank, Banesto, which has taken over Banco Coca and acquired a controlling stake in Banco de Madrid—and the merger of the No. 2 bank, Central, with Banco Iberico. In both instances the mergers were prompted by the desire of family controlled banks to consolidate their future inside larger organisations.

Whereas the Central/Iberico merger was carefully thought through and was the result of long-standing ties, the Banesto/Coca merger was hastily conceived. As a result, Central completed its merger in three months while Banesto took nine months to complete—and not before it was obliged to draft in its own personnel to oversee the bank following revelations of a Ministry of Finance inspection of Coca's books.

The inspection resulted in November last in the imposition of a Pta 1.8bn fine for alleged fiscal irregularities. The fine, the highest ever in Spain's banking history, is the subject of appeal. But if the appeal is unsuccessful the cost will now have to be borne by Banesto.

This consolidation has further reinforced the dominance of the so-called "Big Seven"—Banesto, Bilbao, Central, Hispano-Americano, Popular, Santander and Vizcaya. These banks control almost 65 per cent of total commercial bank deposits. A similar concentration has now begun to occur among the many savings banks which until now have been essentially regional or local in character.

Unknown

The main unknown is how the presence of foreign banks will affect the system when next year the first of them start operating. There are already four foreign banks operating in Spain, including Bolsa, that owe their presence to historical factors. But it was not until June last that a decree was passed permitting the establishment of new foreign banks.

Despite frequent promises the Government took over six months more to approve the decree than was originally expected. In part the delay was caused by the banking community's insistence on certain safeguards. But Government dilatoriness was probably the major delaying factor.

The decree, approved on June 16 last, reflects a cautious approach and underlines the fact that neither the Government nor the banks want an open-door policy straightaway. Indeed the limitations are such as to deter all except the major foreign banks from upgrading existing representative offices.

Built into the decree are two important limitations on activity. Peseta business will be restricted to 40 per cent of total assets held in Spain (essentially Government securities and that proportion of deposits that banks are obliged to place with the Bank of Spain). This is designed to prevent the foreign banks from competing too strongly for deposits. However, most of the applicants are more interested in wholesale banking anyway — and the four existing foreign banks only account for 1 per cent of total deposits.

Secondly, banks can opt either to establish a subsidiary or a branch operation limited to three branches. In the case of a subsidiary they will have to put down Pta1.5bn to cover capital and reserves, while for branches this sum will be halved.

Option

Foreign bankers do not like this high entry fee but it will not deter the interested. Another option is that a foreign bank with an existing participation of over 25 per cent in a Spanish bank can buy control. Bank of America is expected to do just this.

So far 18 foreign banks have applied, including nine from the U.S. The banks who have applied are as follows: Barclays and NatWest from Britain; Paribas, BNP and Banque de Suez-Indochine from France; Commerz Bank, Dresdner and Deutsche Bank from West Germany; Banco do Brasil from Brazil; and Citibank, Morgan, Chemical, Bankers' Trust, Manufacturers Hanover Trust, Chase, American Express, Continental and Chicago National from the U.S. Not all of these are expected to be allowed in at the same time.

The main regulatory body of the banking system—the Consejo Superior Bancario—has a report on these banks prepared by the Bank of Spain. This will be examined "meticulously" and it would not be surprising if some applications are handed back on the excuse that they have been improperly filed. The recommendations of the Consejo will go back to the Bank of Spain, which will then pass a final report to the Government.

It is hoped that the Government will approve the first batch of applications next January. Officials suggest there will be no more than 10 the first time round. However, there are those who believe that such obvious discrimination is invidious and all those who have applied and whose interest in and past ties with Spain are well known should be admitted. The same people feel that the competition, both feared and real, brought by the foreign banks is absolutely essential if the Spanish banking system is to modernise itself and come to terms with a market economy.

R.G.

Lessons learned from the Moncloa Pact

THE BIG question mark which hung over industrial relations this year in Spain was how well labour and employers would respond to the social contract known as the "Moncloa Pact." signed by the Government and opposition Socialist and Communist parties in October last year. This was particularly the case since neither the employers organisations nor the trade unions took part in the negotiations which led to the pact, but were nevertheless expected to implement it.

The Moncloa Pact was essentially a stop-gap measure within the framework of parliamentary consensus that has dominated Spanish politics since the June 1977 general elections. It laid down a 22 per cent wage ceiling in return for reforms which included, for example, greater trade union freedom.

Neither labour nor employers had any experience of pacts, since under the Franco regime the only permitted industrial organisation was the corporatist *Sindicato Vertical*. This grouped both, to the marked advantage of the latter, as well as serving as a system of patronage for the regime's followers among labour.

The Moncloa Pact is due to expire at the end of the year with agreement still to be reached on a package to replace it. But the track record of both sides of industry during this difficult and experimental year gives some indication of the problems they will face in 1979.

Strength

The two trade unions to consolidate their strength in this year's works council elections were the Communist-led Workers Commissions (CCOO) and the socialist General Workers Union (UGT). The results are still disputed, but it seems that the CCOO won something over 40 per cent of the council seats, while the UGT took around 30 per cent. The lead of the Commissions was more pronounced, however, in the main industrial areas, particularly Madrid and Barcelona.

This reflected the greater experience and prestige of the CCOO, which had reorganised during the late 1960s and early 1970s, and by the time Franco died in 1975 had won substantial control of the *Sindicatos Verticales*. The strength of the CCOO and the predominance of leading members of the Communist Party (PCE) in its leadership augured well for the pact, providing a degree of discipline and organisation which no other union could match.

In fact the only major rupture of the industrial peace envisaged by the pact came in April from the employers' side. The main employers grouping, the CEOE or equivalent of the British CBI, was hurriedly put together in September last year to unify criteria around the Moncloa Pact. Though the CEOE had grudgingly accepted the 22 per cent wage ceiling — most employers federations regarded it as too high — they would not countenance a government project for greater trade union freedom, which envisaged the right of works councils to obtain regular information on company activities.

By May, this attitude had led to token stoppages throughout the country by the unions, who regarded the Bill as part of the quid pro quo for wage restraint. In Barcelona, a particularly radical current grew among employers, severely complicating the anual wage negotiations and at one stage bringing out 800,000 workers on strike in protest.

But the union leadership was unwilling to press the issue, and the Government was allowed to ease the Bill into cold storage. By this time the political parties had reached agreement on the degree of consensus needed to ensure the new constitution a trouble-free passage through parliament, and the Socialists and Communists were unwilling to promote industrial disruption which might affect this.

The 22 per cent wage ceiling has in general been observed, and the CCOO and UGT have tried to avoid strike action wherever possible. When grievances have built up, they have instead tried to organise orderly, but massive shows of strength of limited duration, such as the Barcelona strikes, which were carefully phased.

But they have not succeeded in preventing localised or sectoral grievances from spilling over, in situations where the opposition to strike action of the major unions has meant that smaller, rival unions — which at best came a poor third or fourth in the works council elections nationally — have frequently made the running.

This shows up in this year's strike figures. The Labour Ministry expects to report a drop of around 34 per cent in its index of labour conflicts for 1978. But this is measured by the number of working days lost. At the same time, in the first six month of this year, 3.17m workers went on strike, against 3.13m during the same period of 1976—Spain's record year for strikes — which involved approximately 5.5m people.

Origins

However, there are major differences between this year and 1976. The number of working days lost has been cut by half between then and now, reflecting the more sophisticated tactics of the larger unions. Second, a great number of the 1976 strikes were political protests against the government of Sr. Carlos Arias Navarro — Franco's last and the monarchy's first Prime Minister. In comparison, nearly all the present conflicts have their origins in disputes over pay and conditions.

Two such cases, where the CCOO and UGT's commitment to restraint placed them in an invidious position, were the seven month conflict at the Astilleros y Construcciones (Ascon) shipyard at Vigo in north-west Spain, and the seven week strike among Barcelona pump attendants.

The Ascon dispute began when the shipyard changed hands and the new owners sought to restructure the labour force in line with the general worldwide decline in demand for new shipping tonnage. The 1,850-strong workforce got wind of this, and some of them tried to promote a strike. As a result, 46 workers were fired, and immediately the rest of the workforce came out in sympathy. Management replied in February with what was to be the longest lock-out since before Franco's death.

The CCOO and UGT, although in a minority on the strike committee, initially supported the strike, but withdrew after a compromise solution suggested by their national leadership was rejected. The strike committee was then led by the union which came third in the national works council elections — the Syndical Workers Union (USO)—and by a radical Galician nationalist union, as well as enjoying support from the local population.

The seven month conflict was finally brought to an end by Government arbitration, and although the reinstatement of all the sacked workers is not yet assured, the strike committee and the unions involved in it had the satisfaction of winning a better offer than that suggested as a starting point by the CCOO and UGT.

The Barcelona pump attendants strike was called and led by the anarchosyndicalist national confederation of labour (NCT), and opposed from the outset by the CCOO and UGT, which had previously signed a state-wide collective agreement.

Outlawed

The CNT's basic demands were for a Barcelona cost of living weighting, a drop from a 48 to a 40-hour week to absorb unemployment and negotiations on a provincial basis. The local authorities outlawed the strike, declaring the State-wide agreement binding, put police into several service stations to serve petrol and mobilised riot troops against pickets. There were almost daily street disturbances throughout the strike, and hundreds of arrests were made. By the end of the strike, two leading figures in the Catalan CCOO apparatus publicly expressed their distaste and concern that the union appeared to be backing the police against the strikers.

There is little doubt that the USO at Ascon and the CNT in Barcelona were seeking to make up ground against the larger unions. The CNT in particular has its only real strength in Catalonia, and in addition controlled around three-quarters of Barcelona's 2,600 pump attendants — an ideal opportunity to establish a clear line between itself and the CCOO and UGT, which it frequently denounces as "traitors."

But nevertheless, the CNT won important concessions in the strike. And the smaller unions are winning an important following as they pick up banners discarded by the CCOO and UGT.

The major effort of the two big unions has centred on employment, convincing their members that moderate claims and labour discipline were essential both for the protection of jobs and the consolidation of democracy. But while this argument has begun to cut less and less ice, observance of the wage ceiling seems to have had little effect in keeping down unemployment, as might be expected.

Indeed this was spelt out at a recent symposium on employment organised by the Spanish and French governments, and from within the union ranks. Sr. Joaquin Leguina, a leading Socialist Party economists employed by the national statistics office, argued that Spanish GDP would have to grow by at least 5 per cent over the next two years—against Government estimates of 4.8 per cent — just to hold unemployment at its present level. This he estimated at nearly 1.7m, or around 11 per cent of the working population.

So as well as being contested by rival unions, the position of the UGT and CCOO is being eroded from within. At its most prevalent this is expressed by a falling off in union membership —although figures provided by the unions for the news agency EFE last month claimed nearly 70 per cent unionisation of the workforce.

But it has also led to the growth of radical currents inside the main unions. This has been revealed by mass expulsions over most of the country in the case of the UGT, and serious divisions inside CCOO, particularly in Catalonia, where the Barcelona chemical and metal federations for example, have already voted opposition to the new social contract.

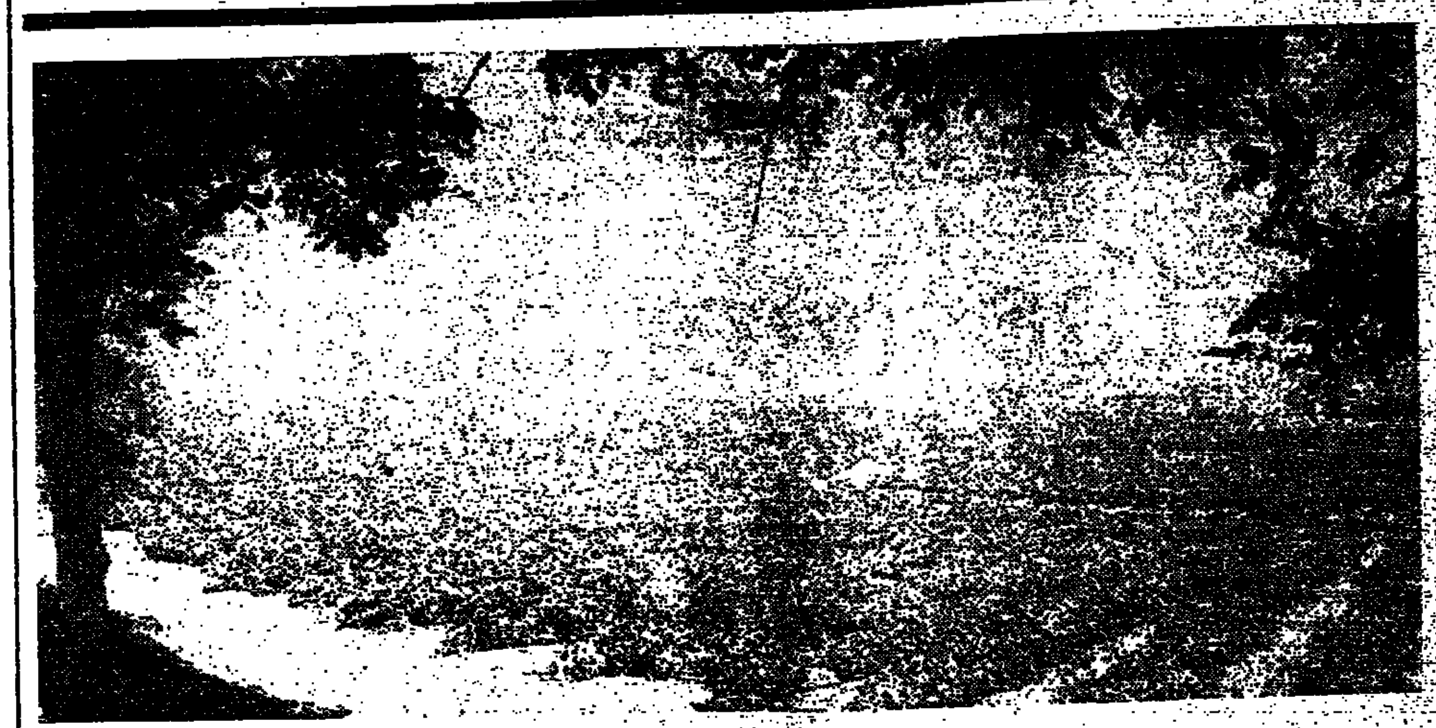
The unions have found their new role testing, but there are stiff hurdles still to clear. Two major issues coming up are flexibility of employment and the question of retroactivity in wage claims.

A prominent part of the CEOE platform is the demand for flexibility of employment. They say that many firms are passing over orders because, while they can increase their workforce to cover them, they cannot lay off workers when demand subsequently falls. This is because Francoist labour legislation, whereby industrial peace was traded for job security, is still in force. The only present means of shedding labour temporarily is by applying for a "regulation of employment," which effectively means putting the whole workforce on short time. But the legal process can be lengthy, and in the present climate the strain on the company's resources meanwhile can be critical.

The retroactivity question arises because over 2m workers have still to settle before the December expiry date of the Moncloa Pact, and under this year's wage ceiling of 22 per cent, while the Government is looking for a ceiling of 10-12 per cent for 1979. If the Governments lets these claims through, nearly 20 per cent of the workforce will be getting 22 per cent more next year. But if it doesn't, this could lead to serious disputes, since among other areas affected are the car industry, banks, railways and communications, the capital goods and electronics industries.

A third problem which will continue to crop up in the future is the tutelage of the CCOO and UGT by the Communist and Socialist parties, respectively. At the moment the union leadership strategy has to accommodate the eventual electoral ambitions of their parties. *However, if their already denied credibility is not to deteriorate further, they will need to assert their independence and show greater willingness to defend their members even when this cuts across party strategy.*

David Gardner
Barcelona Correspondent



El Majuelo vineyard in the Macharnudo area in Jerez is largely owned by Domecq.

The farmers and their grumbles

UNTIL A few decades ago, Spain earned practically all its income from agricultural products, with oranges, tomatoes and olives national symbols. Production in the sector still runs at around £3bn, and the country is the world's largest exporter of farm produce. The importance of agriculture to Spain is not matched, however, by its contentment. Nowhere in the world is it easy to find farmers who are happy, but the dissatisfaction among those of Spain is more palpable than almost anywhere else in Europe.

The year just ended paraded them well. In January there was the "war of the rice," with producers demonstrating against surpluses and inadequate incomes and culminating in the Government's allowing four times as much of the grain to be exported as had been planned—to a world already itself in surplus.

In February, 23,000 tractors blocked the roads to back up farmers' demands for more money, tax reforms and a reduction in social security payments. In March, Valencian farmers marched on Madrid when they found that the expropriation of fertile soil in their important agricultural region was to be part of the next four-year National Development Plan. In April, nature became the aggressor, with freak frosts that destroyed a variety of crops worth £240m. May brought the "potato war," producers demanding the resignation of senior officials accused of ignoring petitions about the industry's grievances, which, as with rice, included export restrictions and low prices.

Harvesting the old fashioned way in northern Spain

Incensed

In June came the "onion war," one of the bitterest, growers having been incensed by the refusal of a guaranteed price, as had been granted for potatoes, on the grounds that onions were less essential. Nature attacked again in July with hail storms that did £20m worth of damage to crops. August produced the statistic that with 22 per cent of the national work force engaged in agriculture, Spain has the highest such ratio in Europe, and conversely one of the lowest levels of mechanisation.

Another statistic reflecting the industry's dependence appeared in September with the announcement by FORPA, the Government agency responsible for regulating production and apportioning subsidies, had approved aid totalling Pta480m (£3.5m) for export aid and a further £350,000 direct to producers. October, start of the citrus exporting season, brought threats of strikes by fruit pickers, 35,000 of whom were soon keeping their word, depriving producers of the bonuses available for putting the first supplies of the season on to European markets.

In November a note of alarm sounded among citrus growers who, plagued by drought, strikes, a seamen's stoppage in France halting deliveries to Britain, and the failure of a lot of fruit to mature properly, feared that 1978 could go down as one of their worst years ever.

More chronic than chronological are some of the problems that have blotted the Spanish farming scene. While Spain still enjoys the benefits of climate and proximity to markets that have always given it, agriculturally, a flying start, former advantages, like the virtual absence of effective competition and ready access to consuming countries, have diminished or vanished.

In the past 30 years, agricultural rivalry to Spain has grown in such Mediterranean countries as Israel, Cyprus, Algeria and Morocco, especially where citrus is concerned. At the same time, the advent of the EEC deprived Spain of some rich outlets. Britain's entry into the Community seriously dented a market that had been worth, up to that time, £70m a year—Spain's fourth largest customer after the U.S., France and West Germany.

The vehemence with which Spanish farmers and their workers have demanded higher prices and wages reflects the fact that the farm sector has suffered more than any other from inflation, which has been running at about 30 per cent and is the highest in Europe after Portugal's.

In 1975 and 1976, farm prices lagged behind those of industry by some 20 and 30 per cent respectively, and the administration promised that the leeway would be narrowed to less than 6 per cent for 1977, but the evidence suggests that although some reduction was achieved the objective was a mirage, and grievances persist.

The tractors that farmers have been using recently as one of their weapons to achieve what they see as economic justice, are, paradoxically, a symbol of their industry's economic weakness.

Indeed, in common with many of Spain's sources of wealth, far too much agricultural know-how is bought from abroad. Spokesmen for the farming industry are constantly reproving it and the administration that is supposed to co-operate with it for doing too little research and extension, and, at another level, for neglecting to co-ordinate production to obviate surpluses and exploit more profitable alternative lines of production.

While citrus, for instance, is in over-production around the Mediterranean, in the Valencia region, traditionally synonymous with the orange, the acreage of trees is being extended on land which, all readily cultivable areas having long since been brought into production, is wrested from its natural sterility at enormous cost in terms of bulldozing, terracing, the lavishing on it of artificial fertilisers and the provision of water.

Spanish farming provides many examples of conflict between man and machine. The history of land tenure is such that, for reasons of inheritance, rural holdings in many parts of the country have been chopped up generation by generation until they are at or below subsistence level—an example of this is the number of small peasant farmers who spend half their time tilling the soil and the rest working in a nearby bar.

The hunger for land in a country that is largely non-arable has tended to make plantings too cramped, thus draining fertility and, more important in recent times, precluding the use of machines on a scale to be found in countries where mechanisation started earlier.

Yet the alternative to the machine has all but been priced out of the market. Wages and social security payments have burdened farmers with more than in many cases they can carry. At the same time, the growth of secondary industry in Spain and the desire for metropolitan amenities by people inured to decades, if not centuries of hardship has drawn thousands of farm workers from the countryside to towns and cities and made the farm-hand as scarce as he is expensive.

In Catalonia, whose capital, Barcelona, is Spain's chief industrial workshop, it has been estimated that some 600 townships are due for extinction within the next few years because of the drift of people from the land. The process can be explained superficially by the yearning for more money in the pocket and a steering wheel in the hand, but it has been realised that the more primary cause was that the agricultural community allowed industry to steal its manpower without much of a fight. Had farmers, unions and Government collaborated on the question when the drift was still incipient, a decade or more ago, the labour problem might have been largely averted.

Competence

Whether even today the Ministry of Agriculture possesses the competence that would have been needed for such negotiation is problematical if current criticisms mean anything. The Ministry has lately been accused of over-staffing, with mediocre people more concerned with power than performance, of lacking independence and stature within the administration as a whole, and of planning without acting. Indeed, it is inescapable that many Spanish farm reforms lack teeth because their substance consists largely of studies, surveys and fact-findings that in more advanced countries would already have been completed. Until something positive occurs to improve their efficiency and their livelihoods, the farmers will continue to regard announcements, such as that of last November, about farming reforms as representing no more than pieces of paper moving around the comfortable corridors of Madrid.

Symptomatic of agriculture neglect is another recent announcement that Valencia is at long last to hold its first agricultural fair. "How absurd," wrote a critic, "that a region so agriculturally significant as Valencia has not had one before," adding that the absence of such an event and the failure of the Ministry to bring farmers into close contact with the administration had deprived them of many services, such as those of extension and research, that were theoretically available to them. Here and there in the farming scene are oases of success and contentment, such as, for example, the development of horticultural enterprises in more southerly areas of the country than have traditionally been farmed—a step made possible by recent techniques — and which so qualify for the bonuses offered to produce reaching export markets earlier in the season than that of rival exporters.

Another advance has been a rise in the country's production of cereals for stock-feed, deficiencies of them in the past having retarded livestock production and involved the country in an annual bill of some £300m for imported foodstuffs, chiefly from the U.S.

A recent scientific breakthrough in the nitrification of the soil through bacteria has opened up possibilities for enormously expanded production of the soya bean, which would enable imports to be cut drastically and it was recently announced—fittingly, at the end of the worst drought for 30 years—that the equivalent of more than £70m was being allocated for next year to improve the country's already elaborate irrigation system—a sum second only in public spending to that for road-building.

Also heartening is the news that while imports of agricultural products to Spain rose less than 12 per cent last year to £540m, exports gave chase with a spectacular 44 per cent spurt to £600m—a gap that optimists say will disappear and be reversed when the country joins the EEC.

By a Correspondent

هكذامن الأجل

Pouring molten metal at the Aviles steelworks in northern Spain

Industry in a long recession

THE REAL reflection of the recession that is ending its fourth year in Spain is in the sorry state of much of industry. The number of bankruptcies has multiplied alarmingly, while the plight of major sectors such as steel and shipbuilding, badly hit by the worldwide fall in demand, has often worsened.

The virtual stagnation in output this year has put smaller companies in particular under severe pressure. The fragility of these companies' cash-flow position was illustrated graphically in April, when the Seat car company—the country's largest industrial employer—put its workers on short-time in an effort to reduce stocks. The ripples engulfed many of its small suppliers.

Nor have the larger companies been immune. Sarrio, the country's largest paper and pulp concern, defaulted on payments in September, and needed a Pta 28bn cash injection to resume operations. The fact that the company was basically sound, and has a yearly turnover in excess of Pta 13bn, made rescue by a consortium of private banks a feasible option—one which is not as readily obtainable by the majority of companies in the present climate. Sarrio's basic problems stemmed from over-expansion. Investment had been planned against more dynamic domestic and international growth—Sarrio exports some 20 per cent of its output—but with low prices in Spain and Europe, and sluggish domestic demand, the company's cash-flow position came under increasing pressure. In addition, decline of stock exchange values and low bourse turnover had closed an important source of anticipated funds.

Sarrio is not alone in this position, nor in failing four years ago to make contingency plans for the approaching period of low growth. In particular, it neglected the possible consequences on its position of declining demand and the high cost of domestic credit.

Although industry as a whole is still operating at 80 per cent capacity, growth has recovered from the trough it was in during the first quarter, even putting in a brief spurt during the final quarter. But the differences from sector to sector are marked. Steel, for example, has still to reach the highest production levels of 1976-77, while cement production has held up, largely through exports.

Solution

Exporting has been a solution for many firms seeking to compensate for depressed demand and thin order books at home by a concerted drive abroad, especially following last year's devaluation of the peseta. But those industries such as textiles, steel and shipbuilding which are affected by a worldwide fall in demand are not in a position to soak up excess capacity by exporting.

The textile industry, for example, has almost doubled the money value its exports since 1975, and became a net exporter during the first six months of this year. But this could not compensate for an 11 per cent drop in internal demand last year, while there is a limit on the volume of Spain's textile products that the EEC—the industry's main customer abroad—will take.

Furthermore, devaluation proved a double-edged sword, since textile manufacturers paid 14 per cent more for their mill inputs and saw their labour costs rise by a third. The liabilities of failed companies last year represented 10 per cent of total sales abroad.

The restructuring plans for the industry are still going ahead, and are presently awaiting the outcome of a meeting between unions and employers. But while the plans remodel the sector as a whole, eliminating a lot of underproductive and archaic plant, they do not improve the financial structure of individual companies.

The Spanish textile industry is heavily concentrated geographically—over three quarters of it is in Catalonia—but split into a large number of small to medium size firms. These have traditionally generated an average of 60 per cent of their finance internally, with only the larger concerns holding established credit lines with the banks. In the present climate of high inflation and increasing labour cost, poor liquidity and expensive credit, this method is clearly untenable.

The cost of restructuring textile capacity has been borne by the industry itself. This squares with the Government's stated policy of no bailing out "lame ducks," a reaction to the Francoist policy of *only* nationalising loss-making industries. In April, the Minister of Industry, Sr. Agustin Rodrigues Sahagun, warned that the Government would only intervene in cases involving "general strategic interests," or in sectors where demand had fallen off drastically. The problem since then has been the length of time that it has taken the Government to decide how to act within these general principles.

A case in point is Babcock and Wilcox Espanola, the country's leading producer of capital goods, which suspended all outstanding payments in March with liabilities of Pta 16bn. The general decline in investment has meant near collapse for the capital goods sector, while the repeated postponement of the Government's national energy plan denies them their only short-term safety valve.

But the disappearance of Babcock—in which the British Babcock and Wilcox had a 10 per cent stake—would only have boosted the country's import bill in the long term, since there is no structural reason for contracting the capital goods sector. Nevertheless, not until late October was a decision on the company's future announced.

This was that the company's capital would be written down before a Pta 2.5bn capital injection and Government credits of up to Pta 2bn. Everybody lost something in the deal, but the basic principle was that the company's shareholders bore the brunt of the losses, and along with other companies in the sector, the outlay of the capital injection.

The Government was faced with the problems of a different magnitude when confronted by the losses and overcapacity of the integrated steel and shipbuilding industries. The delay on the Babcock decision was partially caused by haggling with with unions, particularly since the company is located in the politically unstable Basque country. This was also a factor in negotiations to restructure ailing steel plants and shipyards, since these are either concentrated in the Basque country or, in the case of some of the shipyards affected, in areas of high unemployment like Galicia and Cadiz, which have already seen bitter conflicts this year.

But again, once the decision was taken, the principle employed was that of reciprocal obligation. The package involved £350m worth of cheap state credits and grants to the two sectors, 75 per cent of which was earmarked for steel. Considerable reductions in the labour force are involved, especially in shipbuilding, where employment levels are expected to be cut by 40 per cent. over the coming four years. The state will effectively nationalise the smallest of the integrated steel plants, Altos Hornos del Mediterraneo, but has first written down its capital to a nominal peseta to cover some of its liabilities.

A sector which the Government is looking at with particular interest both because of its high rate of unemployment and because its health provides a strong indication of the state of industry as a whole, is the construction industry — one of the worst-hit sectors in the recession.

The building industry employs 1.2m people, and according to official figures currently has nearly 20 per cent unemployment. A key problem is the insolvency of public authorities, which owe the industry nearly Pta 40bn. Last year's public housing programme was only a quarter completed, but although public investment in the sector will rise by 16.7 per cent next year — nearly double the average increase — it will still not represent more than 20-22 per cent of total new investment.

It is the drop in private investment which is crucial to the industry's prospects, particularly the halt in new investment in motorways and tourist complexes and, most important, the delay in the approval of the new energy plan, which is blocking large contracts for building nuclear power plants.

Ebullient

This situation ate into the profits of the more ebullient concerns last year and heavily increased the losses of the struggling. The industry calculates that by the time the energy plan is approved the rise in its real costs will have risen markedly. These were 21 per cent in 1977 and an estimated 19 per cent this year.

However, taking public investment as an example, the planned increase of 16.7 per cent next year, against expected cost increases of 12 per cent, will mean a real rise in investment of only 3.4 per cent. Meanwhile, the industry is financing 41 per cent of its production on short-term loans at around 16 per cent.

This is clearly a pace which only the bigger companies—especially those which can compete in foreign markets—can stand for long. The point is applicable to industry in general, until the Government feels it can give some ground in the drive against inflation and implement a looser credit policy.

The predicted increase in investment for next year is around 8.5 per cent, of which some 6 per cent will be public or devoted to the building up of stocks to retain minimum strategic levels, and only just over 2 per cent new private investment.

Employers have it clear in their minds that, apart from wage restraint and a more liberal credit policy, a revival of investment requires the abolition of the two measures by which the Franco regime sought to buy industrial peace—extraordinary wage payments at Christmas and in the summer, and most important, job security instead of flexibility of employment.

The Government should in theory be able to turn its attention to the economy now that the major political reforms are through. The difficulty is that, with a strong possibility of a general election next year, the climate will not be propitious for the unpopular measures for which industrialists are clamouring.

David Gardner

Reform of public sector overdue

REFORM OF the public sector has been a top Government priority and it was among the more important of the many undertakings agreed by the main political parties in the Moncloa pacts of October 1977. Yet the enormity of modernising and revitalising the public sector has tended to inhibit any comprehensive approach.

A year after the original committment to reform very little has changed. The main reform has come in the management of INI, the State holding company. Elsewhere the much hoped for statute on public enterprises has failed to materialise and the Government has ducked giving any guidelines on what should come within the scope of the public sector.

In Spain the public sector still plays a much lesser role than in other European countries. It contributes no more than 25 per cent of GDP while the European norm varies anywhere between 35 per cent and 50 per cent. This relative smallness of the public role has, however, frequently been disguised because the Spanish State has been more interventionist than any other European country apart from Italy. But this interventionism has always been blended with a strong deference to the private sector, motivated largely by the Franco regime's desire not to alienate private capital. The net result is that the public sector presence throughout the economy follows no coherent pattern of strategic interest. Rather it reflects the willingness of the State to assume those functions which show little chance of a good economic return.

Catalyst

That said, the Spanish public sector comes closest to that of Italy. INI, created in 1941, was directly modelled on Italy's IRI. The overriding concern of INI was to promote industrialisation, not necessarily State control of strategic industrial sectors. It was conceived, therefore, much more as a catalyst and the Franco regime had no inhibitions in employing INI to co-operate with the private sector in joint share ownership of industrial ventures. At the same time because Franco needed the support of private capital, banking and insurance was left in private hands (unlike in Italy and France).

So long as the economy was undeveloped and in need of industrialisation this approach did not really matter. But by the mid 60s INI's initial dynamism tailed off and begun to be weakened by a haphazard series of company acquisitions. Economists now have little hesitation in saying that INI bought "a lot of scrap"—ie companies that were making losses. More often than not these were bought up on political orders and at highly inflated prices. There was never any guideline for the minimum or maximum stake INI should acquire. As a result INI increasingly became a sort of dustbin into which the private sector could dump unprofitable operations.

The INI empire now covers 67 companies that it controls directly and some 200 others which it controls indirectly. INI investment in these companies accounts for over 25 per cent of total industrial investment in Spain and in turn these companies generate 15 per cent of total Spanish exports, and one sixth of industrial production.

The INI presence is not distributed evenly throughout the economy. It controls 37 per cent of national refining capacity, 60 per cent of petrochemical production and 30 per cent of chemical output. In shipbuilding it controls 93 per cent of total capacity while defence industries are over 70 per cent dominated by the INI group. INI controls 38 per cent of car production and 30 per cent of industrial vehicle production and further accounts for 35 per cent of the air transport business.

Although controlling 45 per cent of coal production and investing over 60 per cent of all investments in energy it provides only 17 per cent of electricity generation. Meanwhile, it controls 45 per cent of integrated steel capacity, and next year will control nearer 60 per cent.

Controlling

Although INI acts as the state holding company, it does not possess all the state holdings. INI has no part in the three main monopolies which are mixed private and state ventures. The telephones monoply, run by Telefonica, has a 46 per cent state holding which is held by the Ministry of Finance (34.6 per cent) and the Bank of Spain (11.5 per cent). Campsa, the petroleum and petroleum products marketing monopoly has a 51 per cent state holding held by the Ministry of Finance. Telefonica and Campsa between them have a turnover of £3.8bn and Telefonica's capital is equivalent to 70 per cent of total bourse capitalisation. They are among the four most important companies in Spain.

Meanwhile, there are other state bodies which fall outside the INI fold. For instance the state run railways, RENFE, has its own independent status funded direct from the Treasury. The same applies to the state run radio and television networks, RTVE.

Until the political parties started considering a statute for public enterprises no one seriously sought to define a public company. For instance Campsa with its 51 per cent State holding, has majority State control. Yet the company to all intents and purposes is run as a private concern. It has been suggested that a public enterprise should be a company in which the state holds 51 per cent or more. But this would omit Telefonica which occupies a major strategic sector and is the prime mover and contractor in one of the fastest expanding fields — telecommunications and data transmission.

Moreover, few bothered to consider a more rational approach to the control of the State holdings. One important proposal in the National Energy Plan, 1977-87, was for the removal of Campsa from the clutches of the Ministry of Finance grouping it under the INI umbrella in a specialised energy sector. This move, however, was opposed by both the Ministry of Finance and the private sector shareholders. The proposal has now been dropped.

This now leaves INI with 10 separate entities dealing with various aspects of energy but no direct influence on the marketing of petroleum and petroleum products that provide 66 per cent of Spain's energy needs—even though INI is the recognised vehicle for State investment in energy.

The Campsa episode does not auguer well for a more rational approach to the public sector. The main hope comes now from a thorough overhaul of INI itself. Since the arrival of Sr. José Manuel de la Rica at INI this spring a fundamental change occurred. For the first time attention is being paid to the quality of management—and just as important to the nature of INI's holdings. A set of priority sectors has been established which either have potential for development or whose potential is being underutilised. For instance Sr. de la Rica is anxious that INI pay much more heed to the electronics field and that it seeks to maximise its existing presence in the defence industries. He also wants to see INI as a catalyst in promoting regional development.

Perhaps the most significant step taken so far has been the decision to remove INI, if possible, from the automotive sector. Seat, in which INI has a 34 per cent stake, is the country's largest saloon car producer yet is wholly dependent upon Fiat for technology and third country sales agreements. Such an arrangement is under increasing pressure. Seat's sales have been cushioned by high tariff barriers over many years and its competitiveness in a more liberalised economy is in doubt. Thus in July INI decided to discuss with Fiat the possibility of the Italian group's purchasing its share. Similar discussions have begun with international companies on the offloading of INI's share in industrial vehicle producers, Enasa and Mervosa.

Break

These divestiture discussions represent a break with the past. INI was present in Seat because the Franco regime felt it necessary to have an indigenously controlled car production capacity. The authorities clearly no longer feel such a strategic need. Nor do they feel obliged to pump in funds to keep the company afloat—without a complete restructuring of the existing ownership. The move has caught the unions off balance because they want to see the State play a greater role and disapprove the principle of State divestiture to private international companies. But they equally realise that this is the solid way of protecting jobs.

The Seat decision has been taken because something had to be done about the company and not as a result of a global approach on which the state should commit itself. Several Ministers are on record as rejecting the idea that the state should support "lame ducks." A test case here was the ill-fated capital goods company Babcock Wilcox Espanola, which earlier this year was forced to declare a moratorium on all outstanding debts.

Babcock is Spain's leading company in this sector, but the government refused all overtures to step in and buy it up. Officials argued that management must be held in some measure responsible and the solution for the company's survival has seen this principle accepted. Cheap public funds will be made available to Babcock, but the private shareholders will have to bear the consequences of writing down its capital in return for a streamlined and, hopefully, viable concern.

The same sort of principle has been established in the steel sector, although here the Government has agreed that INI should become more involved. In order to keep Altos Hornos del Mediterraneo (AHM) alive—the smallest of the three integrated steel companies—the Government agreed in June to an INI takeover of the company. The shareholders accepted on a capital write down to a nominal Peseta, followed by a new capital injection of £85m. The existing shareholders, mainly banks, take only 66 per cent of the new capital the remainder subscribed by INI. Once this operation is complete, due to be completed at the end of the year, INI will proceed to purchase the remaining 66 per cent. By not taking 100 per cent control in June the State is making the existing shareholders bear part of the losses for the rest of 1978, expected to be £35m.

Interestingly, when the AHM agreement was announced none of the participants, or the Press for that matter, used the word nationalisation. There seems to be a residual fear of this word. In Spanish business eyes nationalisation refers to State takeover of profitable enterprises. For instance the National Energy Plan, in one of its several preliminary drafts, discussed nationalisation of the high tension transmission lines and there was even talk of nationalisation of the utilities. But this was quickly dismissed even though the country desperately needs a coherent energy policy. In Spain it still seems that the private sector only accepts greater public sector control if it is in loss-making areas.

R.G.

Slow reaction to energy crisis

THE ENERGY sector is in a state of near chaos. Of all the Western industrialised countries, Spain has been the slowest to realise the consequences of the oil price increases in 1973. Between 1963 and 1973 energy demand increased 8.6 per cent a year, and since then it has continued to increase by 4 per cent per year. Spanish energy consumption, per unit of production is now among the highest of any OECD country.

At the same time, its own energy development in recent years has been limited. Coal is the country's most significant domestic energy source. Yet while in 1963 hard coal accounted for over 40 per cent of the country's primary energy needs, by 1976 this figure was down to 15 per cent. During the same period oil moved from meeting 35 per cent of total energy needs to 72 per cent.

Spain's primary energy sources are underdeveloped compared to the rest of Europe. Natural gas accounts for only 2 per cent of total energy consumption, well below the European average of 16.4 per cent. The need for a coherent approach to the whole problem of energy use has become a major concern for the Government, which is committed to a sharp reduction in the country's balance of payments.

Energy imports in 1977 were valued at Pta 317bn, the equivalent of 25.3 per cent of total imports, and the figure is increasing. In the first 10 months of this year oil imports totalled Pta 305bn, a 12.7 per cent increase on the same period last year.

After months of hesitation, the Spanish Government approved a 10-year energy plan last May to run until 1987, with investments totalling Pta 630bn, and aimed principally at conservation and diversification of energy supply.

The basic assumption was that the domestic product would have increased 1.2 per cent this year and at an average of 4 per cent for the remainder of the period. On this assumption Spain's primary energy consumption will have increased from 99m coal equivalent tons to 144m tons by 1987. The plan envisages meeting this demand by reducing oil imports and increasing the share of nuclear energy and of national primary energy sources.

Contribution of nuclear power will be increased from 2 per cent to 15 per cent by 1987, while dependence on oil will be cut from 66 per cent to 59 per cent. The plan also aims at introducing a more realistic price system for domestic and industrial fuels. Prices of fuels until now have lagged well below the European average (at present they are 20 per cent below the lowest prices elsewhere in Europe) and electricity prices have lagged behind other industrial overheads

Debate

If the energy programme, in its broad intentions, is a step in the right direction, most observers agree that it falls short of solving all the problems. Indeed, the programme, although passed by the Cabinet, is still subject to Parliamentary approval. In October, the plan was thrown open to debate among the politicians for the first time and it was clear then that deep division still exists on major energy issues. Indications are that the plan will need to be considerably modified if it is ever to become law.

A major shortcoming in the plan as it now stands is that it fails to be specific on structural reform in the sector. As a Socialist deputy put it during the debate on the plan, "The programme doesn't try to direct the future of the sector but rather legitimises the past."

It is significant that the plan makes only a vague reference to reversing the policy of "parcelisation" pursued under Franco, which favoured private business and fragmented the power of individual ministries.

While recognising the need to rationalise the State's fragmented energy holdings it effectively drops a previous plan to transfer the State's 51 per cent stake in the Campsa Company (which has a monopoly on distribution of petroleum and petroleum products in Spain) from the Ministry of Finance to the State holding company INI. This now leaves INI (which is under the Ministry for Industry) with 10 separate entities dealing with various aspects of energy, but no direct influence on the marketing of petroleum and petroleum products that provide 66 per cent of Spain's energy needs—and even though INI is the recognised vehicle for State investment in energy.

The present plan envisages a degree of restructuralisation in the short-term, but within present boundaries so that energy is still parcelled out between the Ministry of Finance and Industry. It claims that this will be the first step towards the creation of a body that will rationalise the activities of public companies in the sector. The nature of this body is, however left unclear.

Restructuring the energy sector raises the delicate question of nationalisation and this in itself comes up against the country's most powerful vested interests, ownership of the utilities by the private banks. These reacted strongly to plans by the former Minister of Industry, Sr. Alberto Oliart, to have Campsa (in which private banks have an important equity) brought under the aegis of an energy steering committee within INI. And for the moment it looks as if the present Government (reshuffled in February after Sr. Adolfo Suarez had dropped the Minister for Industry) is not prepared to take the risk of losing its sizeable

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Motor industry in some disarray

CERTAIN EVENTS affecting the Spanish motor industry this year mean that the country can no longer expect the dynamic growth of the past. The industry is undergoing major structural changes which are likely to alter the pattern of production dramatically. The surprise purchase of Chrysler Europe by Peugeot Citroen will make the latter the third largest trader of saloon cars in Spain. Spain's biggest car maker, Seat has begun negotiations with Fiat for the Turin-based group to take majority — or perhaps total — ownership. Meanwhile, Ford is considering a $700m investment in Spain in order to expand its European operations. Against this background the Ministry of Industry is studying a plan for a liberalisation of this, Europe's most protected motor industry.

1978 will be remembered sadly by most car manufacturers in Spain as a year in which consumer demand finally fell back in line with the logic of economic circumstances. Recession, which began to have an impact on the industry in the second half of last year, has continued to bite hard, demand has slackened, and production and sales have been adjusted accordingly.

In the first nine months of this year total sales of saloon cars dropped by 3.3 per cent to 466,647 units and the outcome for the whole year is expected to be worse. In a similar nine month period last year car sales were well above the 1976 growth rate of 8 per cent, and although demand after October 1977 began to slacken the year ended some 4 per cent above the 1976 figure. Production and sales of industrial vehicles, already depressed last year, have plummeted even further, forcing the industry again to revise production and sales projections downwards for the coming year. In the first nine months of this year sales of industrial vehicles fell by 20.9 per cent to 7,524 units.

Exports

Not all has been gloomy, however. Exports of cars and commercial vehicles have continued to improve. Clearly, with demand slackening at home, motor companies have been forced to look more towards exports. Estimates for the last quarter of this year project a 17 per cent and 103 per cent increase in saloon car and commercial vehicle exports respectively. Exports in the whole year should by that reckoning increase by 21.5 per cent.

It is more difficult to make predictions about the purchase of Chrysler Europe. If the Paris end is clear about the deal, in Madrid there is at best uncertainty and at worst suspicion. The agreement pledges to keep separate identities for the two companies, but how long this will last is questionable. At the Chrysler plant in a suburb of Madrid the main concern appears to be that the new management may undertake a major rationalisation of activity that would downgrade—if not eliminate—car production and switch emphasis to commercial vehicles.

Fuelled

Suspicions in the summer were particularly fuelled by the remarkably little information that came at the beginning from Peugeot-Citroen. The Spanish Government was only told formally about the deal four hours before the Press release of the agreement on August 10. There is also a nagging feeling in Madrid that the French Government is more directly involved in the deal than either Peugeot-Citroen or Chrysler have admitted, and that the deal is effectively part of French foreign policy.

Significantly, though, the Spanish Communist Party, whose Workers' Commissions control the unions in the Spanish motor industry, has taken a limited stand over the proposed purchase of Chrysler Espana. The Party has been careful not to condemn the deal outright and has said only that the Government must be given adequate guarantees of job security before giving the project the green light. If rationalisation is envisaged then there must be accompanying investment to generate new jobs.

The low key approach of the Communist Party indicates a certain element of realism. Chrysler Espana is 97 per cent owned by the parent U.S. company, while Citroen's Spanish subsidiary is controlled by a direct stake, now approaching 60 per cent, by the French parent company. As they are privately registered Spanish companies the Government has been able to do relatively little to impede the Peugeot-Citroen takeover.

A major rationalisation will clearly be tempting for the new management given Chrysler's growing penetration in the heavy truck sector. In exports in particular Chrysler has taken advantage of its extensive international network, into which they can fit Spain. In addition the company is still under contract with the Spanish Government for the refitting of army tanks.

Less successful in the light and heavy commercial vehicle field has been Spain's national producer, Enasa, which is 66 per cent owned by INI, the State holding company. In the first nine months of this year sales of its Pegaso lorries plummeted by 25 per cent to 3,717 units. Enasa has found it hard to branch out from the home to the international market, although in April of this year it won a deal with Cuba for the export of 500 Pegaso buses with an estimated value of Pta 1.5bn.

Since the second half of this year INI has been holding discussions with international partners, namely Berliet-Saviem and Iveco, and is believed to have offered them either the company's total integration or the purchase of INI's stake. Significantly, after Chrysler dropped out of the negotiations in August after the Peugeot-Citroen deal had been announced, General Motors began to show interest.

Similar structural change appears to be in the offing at Seat, which builds Fiats under licence and is 36 per cent Fiat-owned.

Proposals

This first became clear in August, though there have been hints of negotiations between Seat and Fiat throughout the year. Fiat is understood to have undertaken to provide before the end of the year detailed proposals centred on either complete integration of Seat into Fiat or a substantial increase in the existing equity via purchase of the 34.6 per cent held by INI.

Closer integration with Fiat is believed to be timely by all sides concerned, including the Minister for Industry. Of all the car manufacturers in Spain, Seat has had a particularly bad year. Since 1970 its home market share has plummeted from 60 per cent to just over 30 per cent. Consequently, the company began 1978 with the prospect of having to place 84 per cent of its 32,000 workforce on short-time because of mounting stocks of unsold cars. Seat's performance has deteriorated throughout the year: in the first nine months car sales dropped by 17.3 per cent to 164,274 units. Company sources are now hinting at potential losses of Pta 9bn by the end of this year, when last year on sales of Pta 83bn the company declared no dividend and put Pta 406m aside for reserves.

Seat's original conception when founded in 1949 was to be a manufacturer using Fiat technology to dominate the highly protected home market. Yet in recent months Seat has been hit by the fall in demand resulting from the drying up of credit. It has also failed to face up successfully to the competition from other car manufacturers in Spain.

The outcome of discussions by INI, which have extended to include Mevosa, the Spanish commercial vehicle manufacturer (24 per cent INI-owned), are expected to have profound effects on the future of the Spanish motor industry and on the thousands of suppliers which combine to make the sector the largest single area of industrial employment in Spain.

Less in need of a rescue operation is Motor Iberica, the Spanish-controlled industrial vehicle manufacturer based in Barcelona. The latter, which has an association with Massey Ferguson, has managed to maintain its aggressive salesmanship throughout the year, being particularly successful in the export sector. So far this year Motor Iberica has involved itself in seven major overseas projects. Next year it is expecting to invest Pta 200m in similar projects in Italy, Holland, Canada, Morocco and France.

The great success story of the Spanish motor car industry, however, continues to be Ford. In the first nine months of this year the company increased its sales by 35 per cent to 55,414 units.

Major

Since it completed its Fiesta plant at Valencia just under three years ago, Ford has become the major car manufacturer in Spain and has reached the top of the list in the export sector.

The Spanish Government is believed to be so keen on the latest Ford investment project that it is now seriously reviewing existing restrictions on Ford's Valencia operation and considering a more general dismantling of the high tariffs on motor imports.

J.B.

Energy

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support among the centre and centre-right.

Thus, the vagueness in the plan. On the other hand, the energy sector has clearly put the Government in a dilemma. Its failure to show initiative in regard to the present State holdings in energy threatens to upset one of the main points of agreement in the Moncloa Pact. Part of the Socialists and Communists price for accepting a tight wage ceiling was a greater public accountability of key sectors, particularly energy. The fate of the Government's energy plan will depend on a Parliamentary vote probably before the end of February after it has been carefully screened by a number of Parliamentary committees.

Sr. Agustin Rodriguez Sahagun, the Minister for Industry, has gone out of his way to convince the opposition of the need for prompt action by clearly emphasising the links between the jobs of the future employment (Spain has over 1m unemployed and this figure is increasing), economic growth and energy. Yet this was rejected outright during the energy debate by the socialists who remain firmly committed to "quality growth." The Socialists and the Communists also remain unconvinced by the plan's provisions on nuclear energy which was described during the debate as "regressive and inacceptable." Arguably, the most significant alteration to the original energy plan was a decision to further slow down the peace of nuclear plant construction, by reducing an anticipated 1,000 MW from overall nuclear generation capacity and imposing a limit of 10,500 MW of installed capacity by 1987. This will reduce the original cost of the projected investment for the National Energy Plan by $700m. The plan envisages the coming on line of seven nuclear plants now under construction, and the construction of three of the eight, for which outline approval has already been given.

Beyond this, however, the plan is vague on future nuclear policies. It ignores the issue of international co-operation and the supply of technology, nor does it state which three of the eight plants will be constructed. Ministry of Industry officials say that it is not "politically advisable" to be more emphatic at this stage when the plan is struggling for survival. Yet precisely these emissions have stirred a political storm. Although the anti-nuclear lobby in Spain has yet to gather momentum, the Spanish left has not forgotten that Spain went nuclear under Franco without any prior debate and without rational planning. The present Government's persistence in being obscure on the issue further exasperates a suspicion that the present energy programme is not concerned with fundamental structural change.

Pragmatic

A more pragmatic view perhaps is that the Government wants for the moment to keep its options clear. The difference between the large number of plants with outline approval and the three which will be constructed underlines the changes that have occurred since 1974 when projections were excessively optimistic. More specifically, the authorities (though they will not admit to this publicly) appear to be reviewing the extent to which Spain should rely upon U.S. companies—General Electric and Westinghouse, following the Carter Administration's recent restrictions on the expansion of world wide nuclear capacity. They are considering instead a "European solution," mainly with the West Germans though maybe also with the French. West Germany's KWU has letters of intent for participation in two of the eight nuclear plants for which outline approval has been given.

Nevertheless, greater diversification of international co-operation will not itself solve what could be one of the more serious problems resulting from the Government's present nuclear policy. The macro-economic projections in the energy plan of 4 per cent growth over the next eight years could prove over ambitious, leaving Spain with over capacity.

In an ideal world Spain would take the simplest option: phase out its nuclear programme and concentrate instead on its other natural energy sources such as coal, hydroelectricity, and natural gas. The plan certainly puts great emphasis on all three but the Government cannot at this stage afford to be too optimistic. Spanish mines can provide 77 per cent of domestic coals needs at present. Nevertheless many of Spain's coal mines are archaic and badly mechanised and in desperate need of rationalisation and financial restructuring.

Spain's hydroelectricity is highly dependent on climatic conditions which in recent years have been characterised by unpredictable rainfall. Last year, for example, there was abundant rainfall resulting in an 87 per cent increase in the use of hydro-electricity (14 per cent of total energy needs). Nevertheless in 1976, because of near drought in a number of Spanish regions, it accounted for only 7.9 per cent of total energy needs.

The present plan aims to raise the contribution of natural gas to 6.7 per cent of energy needs by 1987, but this will depend on the results of offshore explorations which are currently being conducted. Spain until now has imported nearly all of its natural gas, principally from Algeria, and to a lesser extent from Libya.

Important

In July Campsa made what the Spanish Press enthusiastically described as "one of the most important finds ever of hydro-carbons in Spain" off the south coast. The find involves a well 10km from a well already tested in June at a potential rate of between 500m and 1bn cu per year. The two wells have already been tested at a potential annual peak rate of 1.5 cu m. of natural gas. Nevertheless Campsa at the time cautioned against making a premature judgment on the exploration since a final appraisal is still dependent on further seismic tests.

Meanwhile, optimism is even more restrained in the field of oil exploration. Domestic discoveries off the Spanish Mediterranean coast and in the Bay of Biscay have not given grounds for greater expectations. Onshore prospects are even more limited, as the energy plan recognises.

Spaniards elsewhere are looking for uranium as required by a ten-year national plan for the exploration of uranium introduced in the year before Franco's death.

An encouraging amount of the mineral was found before 1974, and the present Government estimates that by 1982 Spain will be producing up to 900 tons of uranium oxide, meeting 40 per cent of the country's total uranium needs.

J.B.

A spectacle of masks and costumes in the La Claca Catalan theatre troupe presentation of Mori el Merma at the Riverside Studios, London, last month.

The cultural revival

ONE OF the late General Franco's lesser known talents is that he was a writer. He even at one stage applied for membership of the National Society of Authors on the basis of having published, among other works, a volume on Freemasonry under the pseudonym of Janking Boor. But the main opus in the Caudillo's literary output is the script for the film "Raza" (Race), a panegyric on the Blue Division of Spanish Falangist volunteers who fought with the Wehrmacht on the Russian front in World War II.

At one point in the film the mother of the hero comments to an ageing admiral that her eldest son has just entered university: "I had to resign myself to seeing him enter the centre where, according to his father, they are promoting the decadence of Spain." "Too true, too terribly true," commiserates the admiral.

Further on another intellectual comes under fire "Unlike you, Luis, I have not given up reading the stones to read books. Little do you know what you have lost. What worth are a few more mathematics in life? Nothing. On the other hand, what great lessons the rocks hold for us!"

And if "great lessons" could be had from the rocks, then great wealth could be had from flowers. His cousin has related the famous incident when Franco was led into believing that petrol could be obtained from riverside flowers. "All the engineers and technicians that I have consulted are against the project. But personally I have more confidence in my chauffeur, who assures me that on our last trip we maintained an average speed of 90 kilometres an hour, using only my petrol."

This well attested 1940 anecdote would no doubt be hilarious, had Franco not had the power to stamp this corrosive irrationalism on a whole cultural epoch. The second and brief golden age of Spanish letters and art which came to flower under the 1931-36 republic was under Franco supplanted by football, monuments, "El Cordobes," and everywhere the numbing hyperbole of national exaltation. Some of the worst side-effects are still present in Spain today, three years after the dictator's death.

The great cultural change to have taken place under Franco is that over half the rural population moved to the cities. Spain is now an industrial power and the standard of living of most of its inhabitants bears no relation to that of their republican forbears.

Republican Spain was capable of throwing up a brilliant poet in Miguel Hernandez, a shepherd, and of producing initiatives like that of perhaps it best-known poet and playwright—Federico Garcia Lorca—who tried to popularise theatre by taking the travelling theatre group "La Barraca" around the countryside. But the material conditions required to close the gap between a thriving urban culture and the illiterate rural masses did not then exist.

Changes

But the economic and social changes over which Franco presided would certainly have taken place in some form anyway. And it is salutary to think that whereas Madrid and Barcelona could support 18 and 16 daily newspapers respectively before the outbreak of the civil war, Spain's two great cities can together now only maintain exactly half that number of newspapers, with total sales roughly a third of what they were during the latter years of the republic.

The Francoist propaganda pumped out over the last 40 years has produced a profound mistrust of the written word which has not disappeared with the dictatorship. In the case of the Press the increasing hold of the political parties or of specific interests over the main newspapers and magazines has revived these misgivings. The publishing boom which followed liberalisation was misleading, because a minority bought more while the majority bought hardly at all.

On the other hand Spain has become the fourth largest producer of books in the world, publishing just over 23,000 titles last year. But the total print for these was 145m copies, whereas only 41 per cent of Spaniards bought a book last year and 36 per cent claim never to have bought a book. Spanish publishers survive by exporting—Mexico alone took the equivalent of some £22m worth of Spanish books last year.

Public libraries in Spain offer the comically small ratio of 0.17 books per inhabitant. The grandiosely named Ministry of Culture—the former Ministry of Information and Tourism—has allocated less than a peseta per inhabitant to rectify this failing. The Ministry itself is the worst affected of several which are used as receptacles for the politically redundant employees of the "Movimiento," the now dissolved Francoist party. With a total budget of Pta 19.3bn the Ministry of Culture has been obliged to absorb and pay the salaries of 12,500 former Movimiento personnel. The country's 7,000 libraries are meanwhile staffed by 500 trained librarians, and while some of the 12,500 newcomers are being sent in to fill the gaps, the Movimiento was not best-known for the propagation of culture.

It is more than probable that Franco's literary research never led him to read Marx. But if he did, he was certainly not convinced by the famous dictum that religion is "the opium of the people." The pre-conciliar Church and its post-conciliar residue was certainly an important ideological prop to his regime, but Franco had greater faith in football.

Triumphs

No effort was spared in building great Spanish teams, and concentrating the Spanish mind on their triumphs. On potentially dangerous days like May Day, for example, one could sit back at home and enjoy up to half-a-dozen of the best matches of the year. As a result an estimated 22m people now follow the weekly fortunes of Spanish football clubs, while it is thought that not more than 12m attend mass each Sunday.

The other great protagonist of Francoist culture was obviously television. Spanish television (RTVE) remains in the hands of the State and is currently the subject of fierce controversy between the Left, which would like to see it under greater public control, and the Right, which would prefer to see it sold off into private hands. Although few people are surprised that it continues to be manipulated, it is startling that its crudely tenditious methods have changed hardly at all.

Typical of this was giving Prime Minister Adolfo Suarez's closing speech to the inaugural congress of the governing UCD five complete runs in one weekend. The tiniest whiff of controversy is enough to get a programme axed. One of the most popular programmes on television for example was "Escuela de Salud" (School for Health), with 13m viewers. RTVE withdrew it without explanation when it began to touch gingerly on problems like the unmarried mother, and the psychological effects of unemployment (a programme which was never shown).

Spanish writers are fond of parodying the neo-Fascist rallying cry "With Franco we lived better" by changing it to "Against Franco we wrote better."

For although they are emerging from the jungle of figurative subterfuge to which they were confined by censorship, most writers have still to come to terms with losing Franco and Francoism as a mandatory point of reference.

But a comparison with the present generation of Latin American writers reveals a paradoxical gap; Spain has yet to see a great imaginative work with the dead dictator and his period as its theme. Oddly enough, the nearest approach so far is not a work of fiction but a careful examination of Franco's thought, through a collection of his writings and speeches, entitled "Los Demonios Familiares de Franco" (Franco's Familiar Demons) by the Catalan journalist Manuel Vazaeuz Montalban.

Spain's popular singers have had an equally rough post-Franco ride. The musical pamphleteers have sunk without trace, while those with deeper cultural roots have survived. A case of the latter is the Catalan Luis Lach, who could still draw an audience to fill a football ground almost anywhere in Spain. His recent cycle of 28 concerts in a Barcelona theatre was sold out straight after it opened.

Spaniards have also discovered in the past three years that they have some fine film directors apart from Bunuel, whose work they may have seen on trips to Paris or London. Carlos Saura, Luis Berlanga and Victor Erice—to name just three—have done some of the best recent work in Europe, and have found more flexible ways of dealing with the past.

Spanish theatre has become best known recently for the sanctions taken against its members, particularly following the courts martial and jail sentences on members of the Catalan theatre group El Joglars in March and the Basque actor Ramon Sagaseta last month. The (dangerously) topical bent of this kind of theatre was a natural reaction to the deliberate vulgarising of drama under Franco, when a regime-blessed equivalent of Whitehall farce—which among other things was not funny—was the staple fare. This wrenched Spanish drama from its classical tradition.

A notable exception, well-known outside Spain, was the Barcelona group associated with Victor Garcia and Nuria Espert, who breathed new life into the works of, for example, Lorca, and continue to search out the best modern plays in Spain.

Much has been written about Spain's one authentic post-Franco growth industry—pornography—which will only find its real level once the acute hangover of sexual repression in Spain begins to disappear. But there has been relatively little comment on attempts to enliven people's daily lives culturally.

In several cases these initiatives have stemmed from town halls whose mayors are carefully anticipating municipal elections. In Barcelona, for example, the city council brought over from Italy a troupe of giant human puppets on stilts which took over the city's Gothic quarter one weekend during the summer, to the delight of its inhabitants. Madrid's new mayor finally decided to place a famous statue by the Basque sculptor Eduardo Chillida on the central bridge for which it had been designed. The two previous administrations had fiercely opposed the move. But opinion polls have shown the popularity of the two mayors has jumped following these initiatives.

Again, in Barcelona, the State-aided Joan Miro foundation is in the process of becoming a genuinely popular institution. It runs a varied programme which includes attractions for children. It is currently running an original monographic exhibition devoted to the sense of smell, which offers famous nasal profiles amid what is hoped is a nearly comprehensive range of "olefactory sensations."

Recovery

Bilbao this year offered an outstanding example of partial recovery from Franco's scorched-earth cultural policy. For 37 years the Basque capital's annual week-long fiesta had been limited to Spanish operetta (Zarzuela) and bull-fighting, both of which were expensive and not native to the region. The fiesta was therefore for the elite, while the rest of the population simply left the city.

This year, however, a competition on the best programme to revive the "Great Week," as it is known, was convened by the city council. Only Ptas.9m was handed over against the Ptas.30m which paid for last year's Zarzuela and bulls. But an estimated 1m people—nearly twice the population of greater Bilbao—attended the imaginative and varied festivities and shows. Electoral self-interest may yet contribute significantly to a cultural revival in post-Franco Spain.

D.G.

هكذا من الأصل

SPAIN XIII

On this and the next two pages Robert Graham, David Gardner and Jimmy Burns profile ten leading Spaniards in different walks of life: politics, business, the armed forces, industry and the trades unions.

Leading personalities

Adolfo Suarez Gonzalez

Adolfo Suarez Gonzalez

POLITICAL MYTHOLOGY has it that only two people were surprised by Adolfo Suarez' appointment as Prime Minister in July 1976—the King who chose him and Suarez himself. No one had expected the King to choose someone so young and overlook the more obvious political figures. Yet Suarez was not an obscure figure. In retrospect he fitted the identikit of an ideal prospective Premier—linked to the old regime, but young enough not to have been touched by the Civil, a man with proven administrative ability and a knowledge of how the Franco system worked.

Trained as a lawyer, Suarez rose through the ranks of the Franco administration as one of its brighter stars. For four years until 1973 he held the post of Director General of Spanish radio and television. He was rewarded for this by being asked to take over the running of Franco's institutionalised political movement, the Movimento.

As one Cabinet colleague commented privately, he was the perfect man for the transition since the King was asking him to knock down a system which he knew intimately from the inside. Suarez also possessed—and still possesses—two other important assets. He is handsome, knows how to smile and certainly looks younger than his 46 years. Further his background (his father was a provincial Castilian lawyer) is anonymous, typical of new middle class Spain. His meteoric rise came not through connections but diligence and ambition.

Incidentally he is said to have first caught Juan Carlos' attention when Governor of Segovia, his first major appointment when only 36.

In a recent (and rare) interview with the Madrid daily El Pais, Sr. Suarez was asked to describe his role in the transition to democracy: "When it began, a large portion of the traditional structures of the State had been severely weakened, although everybody retained the image of a strong State. Naturally, I asked myself whether it was more advisable to make the true situation plain, or on the other hand, take advantage of the impression of a strong State so as to be able to carry out reforms from a position of stable legality."

The two basic requirements for a stable transition were that the Government controlled the pace of reform, and that a Party was found which could claim to represent a centre moderate reformism. As an insider, Sr. Suarez was able to calculate how far and how fast to proceed with the dismantling of the regime, and as an eminently practical man himself, he has been able to view dispassionately the practical consequences of different ideologies.

Fruit of this last gift were two of the most imaginative moves made Sr. Suarez: the legalisation of the Communist Party in May, 1977, and the post-electoral recall of the ageing President-in-Exile of the autonomous Catalan Generalitat, Sr. Josep Tarradellas. Both measures excited controversy from within the armed forces and the Government itself. But Sr. Suarez did not take fright at three of the great familiar demons of the Franco era—Marxism, Republicanism, and Nationalism — and was only impressed by the practical benefits to be had from legitimising selected offspring of these ideologies.

In putting together what would be the Party of Government—the union of the democratic centre (UCD)—Sr. Suarez obviously benefited from being in power, but also from the fact that none of the mini-parties that appeared after Franco's death could come up with a plausible alternative. He, therefore, made the UCD to measure.

Although he has strengthened his position within the UCD after its inaugural congress last month, the Prime Minister governs the country with a handful of selected colleagues, in particular the Interior Minister, Sr. Rodolfo Martin Villa, Deputy Premier and Minister of Defence, Lt.-Gen. Manuel Gutierrez Mellado, and Minister for the Economy and second Deputy Premier Sr. Fernando Abril Martorell.

Each of them is, like Sr. Suarez, a dispassionate and practical man. But from a political point of view, none of them is capable of developing an identity separate from the Premier, and each draws a lot of the flak which would otherwise be aimed at him.

Suarez benefits from a close understanding with and total backing from the King. The extent to which Suarez has been simply an administrator for the King during the past two years remains one of the major unanswered questions about the transition period. Certainly their relationship began like that. Even if it continued on this basis, the passing of the Constitution means that the Prime Minister now takes the decisions and the King becomes a Constitutional monarch.

While Suarez will undoubtedly have his place in Spanish history as the engineer of the transition to democracy from the Franco era, the prospect of an early election next year may reveal whether the Spanish electorate regards him as something more than a man of a particular moment.

D.G.

Santiago Carrillo

Santiago Carrillo

SR. SANTIAGO CARRILLO, Secretary General of the Spanish Communist Party (PCE), is the most respectable Communist in Europe. More than the inventor, he is the apostle of Eurocommunism who has been severely attacked in the Soviet Press, and even, prevented from speaking at last year's 60th anniversary celebrations in Moscow of the Russian Revolution. He is also, significantly, the only Western European Communist leader to have been given an entry visa to the U.S. But Sr. Carrillo continues to excite strong passions, especially as the only former civil war leader at present in a position of authority in Spain.

Sr. Carrillo is the son of a distinguished Socialist leader from the northern mining region of Asturias. Before the outbreak of the civil war, and still only 21, he became the leader of the Unified Socialist Youth (JSU), which took advantage of the radicalisation in Socialist ranks after the abortive revolution of 1934 in Asturias to go on and become the nucleus of the PCE.

During the siege of Madrid in 1937 Sr. Carrillo was responsible for public order. During his mandate a convoy of Nationalist prisoners was massacred at Paracuellos, outside Madrid. As a result, the Francoists and the Right still refer to him as the "Butcher of Paracuellos"—although Sr. Carrillo has always insisted that the precarious military situation meant no troops could be spared to protect prisoners from possible reprisals for atrocities committed in Nationalist-held territory.

But many of Sr. Carrillo's severest critics are on the Left: they insist that the PCE has yet to come to terms with a turbulent past. This includes the savage Civil War purges against the anarchists and the Leftist POUM, and the supply of Trotsky's assassin — the recently deceased Ramon Mercader, a member of the Catalan branch of the Party, the PSUC. His Left-wing critics, however, are not offended by his determined moderation—a moderation which played a key role during the delicate transition from dictatorship to democracy after Franco's death.

The PCE's support for both the first and second Suarez Administrations has been open and unfeigned. Sr. Carrillo was the first leader to give his backing to the Moncloa pacts, and invariably the PCE has sided with the Government in Parliament.

But as controller of the largest union—the Workers' Commissions—and the best organised political party in Spain, its support during some of the more tense moments of the transition has been crucial. The active restraint of the Communists during and after the massacre of striking workers in Vitoria in March, 1976, the machine-gunning of five Communist lawyers in January, 1977, and the Basque general strike of May, 1977 — to take just three examples—was probably decisive in pulling Spain *back from the brink of major* civil strife, and allowed reform to continue.

It is this rather than, say, the controversial dropping of "Leninism" from the Party programme, rejection of republicanism and support for the monarchy that has won Sr. Carrillo his new-found respectability, and which recently led Sr. Suarez, the Prime Minister, to describe the Communist leader's behaviour throughout the transition as "extremely correct."

He recently told a gathering of the Party faithful in Madrid that they would have to "wait with clenched teeth" for between four and five years. Sr. Carrillo's tight hold on the party has stifled opposition until now—particularly while the Party operated underground. But discontent is beginning to rise from the rank *and* file, and the PCE has *serious internal problems in* at least three major areas. Sr. Carrillo and the PCE leadership may well have to find ways of bending to these demands if they want to retain hold of a significant and growing Party in five years' time.

R.G.

Jaime Carvajal y Urquijo

Jaime Carvajal y Urquijo

TAKE THE board of any major Spanish bank and one common feature emerges. Most of the members are in their 60s or over, especially the senior executives. An outstanding exception to this geriarchy is Jaime Carvajal y Urquijo. He has just been appointed to the presidency of Banco Urquijo, country's oldest and largest merchant bank which also has the reputation—rather like Britain's Coutts—of dealing with a select wealthy clientele.

At 39, Jaime Carvajal is the youngest person in such a position of authority. He is also something of a doyen within the conservative banking community for those who have a pragmatic international outlook for this sector's future.

Although born into the family that controls the bank, which in turn bears one of Spain's top aristocratic names, his background is not entirely typical. Throughout the Franco era the bank sought to sustain a more liberal image. Yet Jaime Carvajal was one of 14 students selected on Franco's orders to go to school with the young Juan Carlos.

First in Madrid and then at San Sebastian he was in the same class as today's King of Spain. He then studied at Madrid University—then unlike most of his colleagues went on to Cambridge. As a result he speaks fluent English and is truly international—and is on that count alone a relatively rare phenomenon in Spain because of the isolationism of the Franco era.

He tends to play down his friendship with the King. He sees him about once every three months and says that the King does not like to give the impression of having close friends or belonging to a particular circle. Nevertheless the King had sufficient confidence in him to appoint him a senator in the Upper House of the Spanish Parliament. This and his connection with the King have given his pragmatic opinions about banking added authority.

Behind the scenes he has played an important role, arguing in favour of the admission of foreign banks to Spain. Unlike some of his colleagues he welcomes the prospect of competition as the main means of modernising and liberalising the Spanish banking system.

Within Banco Urquijo itself he is steering the company through a difficult period. Merchant banks—or industrial banks as they are called in Spain—have been hit hard by the recession and the credit squeeze. Urquijo's own lending this year has scarcely grown enough to prevent risky exposure at a time when several of the industrial concerns in which it is either a creditor or shareholder are experiencing cash flow problems.

This sort of pressure on the industrial banks prompted rumours earlier this year that Banco Hispano-Americano would absorb Urquijo—with which it already has a complex cross-ownership and Board membership connection. But Jaime Carvajal is determined to preserve the bank's identity, slowly increasing its involvement in select branch banking and looking for new opportunities outside the industrial sector.

R.G.

Manuel Gutierrez Mellado

Manuel Gutierrez Mellado

ONE OF the most crucial but least conspicuous dates in Spain's *three-year transition* from dictatorship to liberal *democracy* was September 21, 1976. On that day Lt.-Gen. *Fernando* Santiago y Diaz de Mendivil — a figure representative of the hard-core Francoists in the upper reaches of the military — was replaced as Deputy Premier and Minister of Defence by Lt.-Gen. Manuel Gutierrez Mellado.

The move had been carefully prepared in a meeting two weeks before. Spain's new and relatively unknown Prime Minister, Sr. Adolfo Suarez, had painstakingly explained to top-ranking officers from all three branches of the armed forces where the process of democratic reform was leading. This discreet "summit" was the green light for Lt.-Gen. Gutierrez Mellado to undertake what is arguably the most *important* role of the transition.

Not ten days after the appointment, Gen. Gutierrez's *predecessor and* Gen. Iniesta Cano —a former chief of the 60,000-*strong paramilitary* Civil Guard —were prematurely removed from the active duty list. Gen. Iniesta was then a sympathiser *with and is now an* outspoken activist of the extreme Right.

He had shown his hand following the 1973 assassination *by Basque guerrillas of Premier* Carrero Blanco by a precipitate *and threatening* general mobilisation of the Civil Guard. The move was given short shrift by the then Chief of General Staff, the liberal Lt. Gen. Diez Alegria. The demise of Iniesta and the *rise of* Gutierrez Mellado—*who* had been a close associate of Diez Alegria — seemed a firm indication that the armed forces would not resist the reforms that were about to begin.

Gen. Gutierrez has since become the lynch-pin on which the delicate question of army loyalties hinges. If the tacit pact between the armed forces and King Juan Carlos—Franco's successor and supreme commander of the armed forces—*is the cornerstone of* Spain's fledgling democracy, it is Gen. Guitierrez who has the frequently graceless task of providing the cement. The most recent example of the *Defence Minister's* calm but firm manner of calling the *ranks to attention* was in an incident at the Cartagena naval *base last month, which led to* the arrest of a Civil Guard *regional commander.*

At the beginning of the *month* Gen. Gutierrez had delivered a far-from-routine annual report to staff officers, in an attempt to brace them against the present offensive of the Basque nationalist guerilla organisation ETA, and the dangers of the recent wave of neo-Fascist agitation aimed at the military. He then set off on a tour of armed forces units throughout the country, explaining the benefits and importance of the new constitution. Gen. Gutierrez would then invite the assembly of officers of all ranks to put their questions and offer reasoned opinions.

At Cartagena a naval captain *took the opportunity to read out* a harangue which laid the *blame for terrorism at the door* of democracy, and which *sparked the incident which followed.*

Gen. Juan Atares Pena, Civil Guard commander for the south-eastern region, after accusing the Government and Defence Minister of treachery, denounced the constitution as Marxist, separatist, and abortionist. Gen. Atares is reported to have received hesitant claps from sections of the senior ranks. Gen. Gutierrez called the assembly firmly to attention, had Gen. Atares immediately arrested, and asked anyone who shared his views to leave the room. Nobody did, but instead the assembly gave the Defence Minister a ringing round of applause.

The incident reveals the two axes of the Gutierrez strategy. *On the one hand he is* attempting to open up a process of con*trolled dialogue and discussion* inside the armed forces in a *bid to wean them from their* Francoist past, and erect a firm *barrier against the ghoulish in*citement of the neo-Fascist. On the other he is trying to impress on the military that the Government will be uncompromising with indiscipline and nostalgic adventurism.

But it also reveals the delicacy of his task. In the three principles which guide him—loyalty to the Crown, the maintenance of the unity of the armed forces and the indissoluble unity of Spain—he has the full support of the Socialist and Communist leaderships as well as the Government. But as a pillar of the Franco regime, the armed forces are viewed by the Right as the path to salvation, while radicals on the Left see them as a threatening presence behind the Right shoulder of the Government.

It is precisely in this shadowy area of ambiguity and occasional loss of democratic nerve that the neo-Fascists and ETA's military wing are currently most at home. It is also precisely in this area that General Gutierrez and his colleagues will have to work hardest to shed more light.

R.G.

Felipe Gonzalez

Felipe Gonzalez

TAKE A good-looking politician, with an equally good-looking wife, who speaks in public with the naturalness of a fireside chat, and you have the elements of *success. Yet Felipe Gonzalez, or Felipe* as he is more often *referred to by friends* and foes alike, owes his meteoric rise in Spanish politics to more than just cool.

Like Adolfo Suarez, his more apparent rival, Felipe's style is matched by a proven political skill which has made him the undisputed leader of what could with justice be called Spain's strongest party. Although the PSOE (the Spanish Workers' Socialist Party) came second to Suarez's the Union of the Democratic Centre (UCD) in the 1977 elections, the Socialists won comfortably in most of the crucial industrial areas, including two Basque provinces. Moreover, the Socialist UGT has established itself as the second major trade union in the country after the Communist workers' commissions.

That the PSOE has managed in a space of less than three years to progress from the hangover of nearly 40 years of clandestinity to an acceptable "alternative of power" willing, as seems likely, to enter Government by the end of next year, is largely due to the pragmatism of the Party leadership.

"One has to know on occasions when to separate idealism from political reality," Gonzalez once told an interviewer. When his Party held its first congress in legality in 1976, idealism had spread like wildfire among the Party militants, convincing them that the time had come for the left to take a firm hold of power—within months of Franco's death there was serious talk of revolution.

Yet when the Socialist leader *took the rostrum and delivered* the major policy speech, the *militants heard quite the oppo*site. Gonzalez spoke clamly *about the history of the Party,* toned down all reference to elections, and barely mentioned a bid for total power.

"If we fall into the trap of calling the *Party* after a hundred years democratic *Marxist we'll give the Right* the perfect excuse for dividing the *country into* Marxists and non-Marxists," Gonzalez said. His *moderation* was aimed at convincing the Spanish electorate and, *more important,* the uneasy military that it was possible to be progressive without being revolutionary—and to a large extent he has succeeded.

His strategy has extended itself outside the Party to incorporate itself neatly into the consensus which has been the dominant note of Spanish politics for the past two years. Last year he swung his Party and his union behind the Government-inspired Moncloa pact. On the political front he has played a give and take game with the constitution, compromising on major issues like the monarchy and the Church which historically were anathema to his party.

It has been said that without Gonzalez, Adolfo Suarez could not have brought about such a smooth transition from Francoism to democracy. It is not a comment made only by his defenders. Disenchanted militants (a number of which have been expelled from the Party in recent months) claim that Gonzalez has sold Socialism down the river. They remain unconvinced that the PSOE leadership contains an important Left-wing element which acts as a counterpoint to the Social Democrats. For the militants, both are sides of the same coin: Gonzalez, the leader, who is as opposed to didactic debate as Santiago Carrillo. It remains to be seen whether this *disillusionment* will work against the Party in the next elections, or whether there will still be room in Spain for Social Democracy *a la* Felipe.

J.B.

Carlos Ferrer Salat

CARLOS FERRER SALAT, leader of the CEOE, the Spanish equivalent of the CBI, is in most respects the antithesis of Sr. Camacho. A former Spanish tennis champion and married to the daughter of a Belgian aristocrat. This 47-year-old Catalan industrialist, boasting three degrees and command of four languages, is the very picture of urbanity and good breeding.

But the Catalan middle classes put a high premium on enter*prise, and it is stressed in his* curriculum vitae that in 1953—*aside* from playing for Spain's Davis Cup team, getting married and finishing his apprenticeship in his grandfather's laboratories — he is reputed to be among the three original workers in what is now the Ferrer International group of 16 companies. Since 1973 he has also had a small bank to his name — the Banco de Europa.

The name of the bank suggests Sr. Ferrer's third salient characteristic — his pronounced Europeanism — *for* which he once saw (briefly) the inside of one of Franco's jails.

Sr. *Ferrer was also the found*ing president of the "Circulo de *Economia," the Barcelona-based* economics debating society. As well as *favouring closer links* with Europe, the Circulo began *to encourage employers used to* the idea of organising on their own account. The *unions* were already reorganising, but employers had no organisation beyond the corporativist *Sindicatos verticales in which* the Franco régime *grouped* unions and employers to the marked advantage of the latter.

The CEOE was the *first* independent organisation grouping employers nationally, and Sr. Ferrer was therefore not an improbable choice to lead it. Although re-elected in September for a three-year term, Sr. Ferrer spent a turbulent first year in office. In many respects a compromise candidate, he had to try and conciliate employers nervous about Government plans for fiscal reform and greater trades union freedoms. Sr. Ferrer himself seemed to bow to radical pressure when in New York last April; he warned that the future of a free market economy in Spain was under threat.

However, as elections drew nearer he back-pedalled, which persuaded the Government to withdraw the several alternative candidatures it was toying with. This in turn rallied the majority of employers around Sr. Ferrer and pushed the radicals into the sidelines.

Sr. Ferrer represents dialogue rather than confrontation, *so long as certain rules are* observed. In his view the Gov*ernment should confine itself* to establishing a stable framework *of industrial relations* and an adequate credit policy. The *unions should stick to* representing their members, while the management of industry should be the exclusive responsibility of employers.

Sr. Ferrer declared himself to be 80 per cent in agreement with Sr. Santiago Carrillo, the fiercely moderate leader of the Spanish Communist Party, fol*lowing a recent exchange of* views on a renewed "social *contract." But any remotely* serious plans for Socialist in*tervention in the economy are* rejected even more than the *Francoist dirigisme* and paternalism from which Spain is *beginning to emerge.*

However, Sr. Ferrer and his colleagues appear to have an exaggerated reverende for aspects of the European and U.S. economies such as—freedom in hiring and firing—without a clear understanding of what is normally ceded in return. If they press too quickly towards the concept of a free market economy, they could begin to create problems more quickly than they can solve them.

D.G.

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Fernando Abril Martorell

Marcelino Camacho

Jose Ramon Alvarez Rendueles

Fernando Abril Martorell

SR. FERNANDO Abril Martorell is the *éminence grise* of the Suarez Administration, an image reinforced by the permanent five o'clock shadow and vaguely ecclesiastical air he wears. Sr. Abril is now the Government's undisputed Number 2, and its most gifted salesman.

His actual job is to run the Ministry of the Economy, an institution rather like George Brown's Department of Economic Affairs in Britain in the 1960s—and as in the case of the short-lived DEA, the value of his Ministry's role as economic overlord is disputed. But Sr. Abril's title, Deputy Prime Minister in charge of Economic Affairs, belies the central role he has played since the June 1977 elections.

Sr. Abril first came to prominence in October 1977, following the signing of the Moncloa pacts. He emerged as the Prime Minister's right-hand man in the tough political horse-trading that culminated in a form of social contract. At that time Sr. Abril, aged 41, became Deputy Prime Minister with responsibility for political affairs, and the economic strategist behind the Moncloa pacts was Professor Enrique Fuentes Quintana. When Prof. Fuentes Quintana resigned in March, and Sr. Abril was given the additional responsibility of economic overlord, it was clear that the Government had carried out a major tactical switch.

The theorist gave way to the fixer, and the economy took second place to the construction of the political consensus which the Government needed for the trouble-free passage of the new constitution through Parliament.

It was again Sr. Abril who was charged with ensuring that when the Government moved in Parliament, it did so with the prior consent of the opposition, especially the Socialist Party, with whose Number 2—Sr. Alfonso Guerra—Sr. Abril has been in almost daily touch for the past six months.

He has therefore sold two of the most difficult packages of the transition to democracy, and is in the proces of trying to sell a third, the negotiations between the employers and the unions on what is to replace the Moncloa pacts.

But the appointment of Sr. Suarez's right-hand man in the political arena to overall charge of the economy has come under fire. Sr. Abril's critics in industry, for example, believe that the Government and the Socialists—who control the second largest union, the UGT—are deliberately letting the negotiations slide, with the prospect of a general election in the early spring.

The Deputy Prime Minister's progressive accumulation of power has been attacked from both inside and outside the Government, principally on the grounds that Sr. Abril cannot at the present time give Spain's serious economic problems the attention they require. His opponents also feel that this power represents a dangerous trend whereby Sr. Suarez deals increasingly with a limited "kitchen cabinet" of faithful cronies.

In Spain's constituent period the emphasis is on political reform at the expense of the economy, and the appointment of someone like Sr. Abril—a first-class operator who smooths the path for the Government's political strategy—is only to be expected.

However, once this period is over it is more than likely that the job of co-ordinating economic policy will revert to the Treasury. This would not reduce Sr. Abril's influence in the administration, but merely free him for the political horse-trading at which he is so adept.

D.G.

Marcelino Camacho

BY THE beginning of the 1970s, Sr. Marcelino Camacho, secretary general of Spain's largest trade union, the Workers' Commissions (CCOO), was sufficiently feared by the Franco regime and respected by labour that his employer was still boasting of having fired him from his post as a skilled metal worker at what was then Perkins Hispania. The truth is that the government had threatened the company with massive fines unless it got rid of this able organiser and agitator for trade union rights.

Born in 1918 into the family of a railwayman, Sr. Camacho joined the Spanish Communist Party (PCE) in 1935, 18 months before the outbreak of the civil war. One of his first tasks was to reorganise the trades union movement in his native Soria, following the repression of the attempted insurrection of October, 1934, in Asturias and Barcelona. The experience stood him in good stead under Franco, and began a career that has earned him some 14 years in jail.

Sr. Camacho first became widely known during the famous "1001" trial in December 1973, known outside Spain as the trial of the "Carabanchel 10." These were the historic leaders of the workers' commissions, among them Sr. Camacho and Sr. Nicolas Sartorius, now the union's effective number two.

When he emerged from prison in early 1976, Sr. Camacho took his place at the head of a vigorous movement, the only union which had fought successfully against the Franco regime.

The CCOO had arisen as a spontaneous movement during the Asturian miners strike of 1962. *But it was the PCE that* hit on giving the movement a stable organisational basis, and of exploiting the thin margins of legality offered by the regime at a moment when the country was in the process of rapid industrialisation. The rival socialist UGT (General Workers' Union)—Spain's traditional union before the civil war—rejected these opportunities on political grounds, but in practical terms, more because they did not have a strong enough organisation to take advantage of them.

When the UGT held its first open congress in April 1976, it could barely claim 7,000 members. Sr. Camacho's organisation on the other hand, though still illegal, had already won its right to sit at the negotiating table of most employers, mainly because of this record, the CCOO won by a comfortable margin over the UGT in this year's factory council elections.

Sr. Camacho remains the undisputed figurehead of the commissions, but Sr. Sartorius—a lawyer by training, a journalist by profession and an aristocrat in origin—has emerged as the union's strategist. They are both in their turn, along with several other members of the CCOO national leadership, members of the PCE central committee, which is where union policy is originated. This has meant that the CCOO has played an important moderating and stabilising role throughout the transition to democracy, but at some cost to the prestige of Sr. Camacho and his colleagues.

With his inevitable polo-neck sweater, thick grey hair, and twinkling eyes, Sr. Camacho clearly enjoys his still recent celebrity status. But the image of the seasoned fighter, easily communicated by television, has taken a battering at rank and file level. Because of his loyalty to the PCE, he has not felt the need to assert the independence of the CCOO as a union fighting for its members rights from the political strategy of the party. In the difficult period coming up, this means that an already battered image may be blotted altogether. And while the *commissions* would be difficult to replace, their effectiveness as an attractive union movement could be seriously reduced.

D.G.

Jose Ramon Alvarez Rendueles

THE BANK of Spain has a tradition of ensuring that all governors sit for portraits, no matter how short their tenure. One of the first occasions on which I met Jose Ramon Alvarez Rendueles he pointed to some unfortunate governor of the Bank who in the mid-30s had lasted only a month. He joked that he already had outlasted this ill-fated person. He then made the more serious point that he hoped he would be able to stay long enough so that the Bank could achieve an enhanced and more independent status.

In the nine months that he has been in office, Sr. Rendueles has gone a long way to prove this. It was not an easy job to assume. Though he had experience of the administration he was a young man in a post traditionally occupied by seasoned political figures intimately allied to the regime and big business. Not only was he the first person to occupy the post with economic qualifications for a long time but also at 37 he was the youngest.

He comes from a modest middle class background in Gijon in northern Spain where his father was a bank employee. His passage through school and university was achieved by scholarships. 2

He was a pupil of Professor Enrique Fuentes Quintant, the man who has done more to shape Spanish economic thinking than anyone else in recent years, and quickly became to be regarded as a brilliant economist. He attended Bilbao University, and latterly Madrid before becoming a Government economist and working in the development and planning institute. When only 34 he became Secretary General of the Treasury in the Finance Ministry. From this post he gained a thorough grasp of the State financial mechanism. He also obtained a working knowledge of the banking sector by subsequently acting as director of research for the Savings Bank Federation.

When Professor Fuentes was appointed the economic overlord after the June 1977 elections he became his effective number two. Thus, when he took over at the Bank of Spain in March this year he could claim to have ample experience of the system, despite his youth. Above all else he regards himself unaffiliated to any political party and through this apolitical stance wants to assert as far as possible the independence of the Bank of Spain. The decisions made and advice offered must be technical, the acts of responsible civil servants in the mould of other European central banks. (It is important to remember that until 1962 the Bank of Spain was still partly private, the Bank's substantial share portfolio is still a reflection of this.)

Rendueles would like to see the Bank playing a more active role in policing the banking system. But at present it is handicapped by inadequate legislation. The need for such legislation has been exposed by the collapse of three small banks this year. In the meantime he has boosted the number of inspectors and has tightened up on inspection.

Rendueles is a strong proponent of liberalisation of the banking system. He would also like to see greater openness on the part of the banks about their activities. His persuasive but firm manner has earned respect within the banking community. However, he has to bear the brunt of the bankers' spleen for a rigorous handling of the Government's tight money policy. Rendueles himself does not like to be seen as a hard line monetarist, but this is the role the Government and economic circumstance is forcing him to play.

R.G.

Jose Luis Leal Maldonado

THE RESTORATION of democracy in Spain has produced some odd twists of fate. Jose Luis Leal Maldonado, Secretary of State for Economic Planning and Co-ordination, now occupies the office of Sr. Laureano Lopez Rodo, whose economic policies he used to attack from exile in Paris.

Then, Sr. Lopez Rodo was Minister for Economic Development under the Carrero Blanco government and Sr. Leal was working for OECD in Paris, writing part-time for the newly founded Spanish weekly Cambio 16. Now Sr. Leal holds Cabinet rank, is the Government's leading economist and responsible for producing the guidelines of economic policy. He is also tipped by friends to be a future Economics Minister. Some even say the next.

Sr. Leal, 39, is one of a number of anti-Franco liberal technocrats who have been drafted into the senior ranks of the administration within the past eighteen months. He only returned to Spain in September 1977 after being offered the job of Director General of Economic Policy. It is said that King Juan Carlos played a part in persuading him to return, the two having known each other since schooldays.

Born in Granada (his father was in the navy), he had a distinguished academic career, first studying law in Madrid, then politics and economics at Geneva and finally sociology at the Sorbonne. Rather than return to Spain he opted for a professorship at the controversial Nanterre University. In Paris he was a member of the anti-Franco movement. He went on to work for OECD—and incidentally to marry a French wife.

At OECD he had a good opportunity to monitor the Spanish economy since Spain along with Italy and Portugal were his direct responsibility. He was thus able to study from the outside what he is now so deeply involved in on the inside.

Sr. Leal moved to his present job in March this year. At first he was reluctant to accept the post, created by the reshuffle following the departure from the Economics Ministry of Professor Enrique Fuentes Quintana. He was uncertain whether the change to Fernando Abril Martorell at the Economics Ministry represented a shift towards the Right. Only when convinced that was not so did he accept.

Although he has a quiet, self-effacing manner, he has latterly been thrust into the firing line to back up Sr. Abril Martorell in wage talks with the trades unions and employers. The macro-economic projections for 1979 which form the basis of the bargaining are the work of his department. He is taking a relaxed attitude to these negotiations, insisting that if there is no agreement the Government can and will impose a 12 per cent ceiling on the public sector which the private sector will probably be obliged to follow.

For the longer term Sr. Leal is anxious to promote more strategic thinking about Spain's economic objectives—something which up to now has been much missing. To this end he has been instrumental in setting up a small team who work on a futurist project examining the State of Spain and its priorities by the year 2000.

R.G.

Boom year for tourism

ALL TOURISM records have been broken in 1978. There have been more tourists, spending more per person than ever before. On current projections the Ministry of Commerce and Tourism estimates that by the end of this year Spain will have opened its doors to over 38m tourists—a figure including foreigners and those Spaniards living abroad who come back for holidays.

Not since 1973 has there been such dynamic growth in this key sector. The dynamism from this sector has played an important part in raising overall economic growth to 3 per cent this year. Without it the country's macro-economic picture would have looked much bleaker.

Figures for the first 10 months show a net growth of 16 per cent in tourist arrivals compared with the same period last year. By October last year Spain had welcomed 30.6m tourists, now the number has reached 35.56m.

In terms of foreign exchange receipts the industry attracted $4.14bn worth of foreign currency earnings in the first nine months. This was 34 per cent up on the $3.08bn earned in the same period in 1977. On a per capita basis tourist earnings this year are averaging $126 per person against $100 last year. For the year as a whole it would be surprising if tourist receipts do not reach $5.3bn—equivalent to roughly a quarter of total foreign exchange earnings.

This surge in earnings has been reinforced by a net drop in the amount of tourist outflows. Through to September tourist outflows totalled $411m a 12 per cent decline over the same period last year, even though many more Spaniards went abroad. This suggests that outflows have also covered capital flight which has lessened. Thus the overall balance of tourism in the first nine months is some $1bn higher.

This summer the Spanish tourist resorts have never been so crowded. Officials estimate that some 10m Spaniards holidayed during the peak months of July and August—alongside the 15m foreigners. This sharp increase in domestic tourism combined with that of outside is unlikely to be a permanent phenomenon. At least this is the hope of officials in the Ministry. Spain, they argue, with 38m tourists, has now reached the limits of existing capacity. To promote future high levels of growth without first carrying out a major overhaul of tourist facilities and infrastructure, they feel, could seriously jeopardise the industry.

Spanish tourism has been so successful in the past because it has had such an excellent product to sell—sun and sea at cheap prices within easy reach of all the main European centres. However, to sustain the attractiveness of this package the sea has to remain clean and the prices competitive.

The problem here, now fully realised by the Ministry, is that tourism has been developed too often in a speculative way with inadequate planning controls that paid insufficient attention either to the damage done to the environment or to the impact on tourism by locating developments in industrial areas. To make Spanish tourism cheap too many corners were cut, with poor materials, bad access roads, non-existent investment in anti-pollution measures, and inadequate attention to water supplies.

As the sheer volume of visitors has increased the problems inherent in such development become more evident. Benidorm for instance this summer suffered a serious water shortage and had to be supplied by the Spanish Navy. Several beaches round Malaga have been assessed by trade union organisations to be unfit for bathing. Industrial pollution in the Barcelona area has become a major hazard to several heavily used beaches.

Meanwhile, up and down the coast vacant apartments or unfinished hotels are witness to the financial difficulties of developers squeezed by the recession or the fate of bankrupt foreign travel agencies.

The other cornerstone of Spain's cheap tourism, low cost labour, has also been profoundly shaken. For two summers running there have been strikes and lockouts in the hotel industry. With the legalisation of trades unions in April 1977, those working in the hotel industry, bars and restaurants have become much more conscious of their poor pay and general work conditions. With strikes legalised the old sanctions—prison or loss of jobs—no longer hold good. Thus wages have risen sharply and new demands have been made to lessen working hours. As a result prices are reckoned to have risen this year by 15 per cent. This is still below the overall rate of inflation. But officials believe that the full impact will not be felt until next year when prices are expected to rise on an average of 30 per cent.

To some extent this might be offset by steps taken by the Ministry to liberalise hotel prices. From January all hotel prices will now be fixed by individual hotel owners instead of by the Ministry. Officials argue that the old interventionist policy of the Government is no longer necessary and bad management deserves no protection. The tour operators will have a greater margin of manoeuvre to negotiate terms.

Although Spain has therefore ceased to be a "cheap" country for the tourist, its essential market remains the package-tour client seeking a low-cost holiday. The industry has to become more efficient and provide better quality if it is to remain competitive and retain the allegiance of the tour operators.

Not everyone is agreed on such an approach. Some now maintain that Spain can afford to aim more at the middle and upper range of the tourist market so that even if the numbers remain constant or even drop higher individual spending more than compensates. To support this view some officials believe that Spain has sold coastal resort tourism at the expense of the country's other attractions. For instance, seaside holidays can be combined with tours of Granada and Seville. Equally, there are little-known areas of Spain, especially the Atlantic coast of Galicia, which can provide good and varied holidays at prices cheaper than the Mediterranean coast.

The Ministry itself intends to promote the interior much more, also highlighting such things as shooting and fishing. Meanwhile, it intends to focus new resort development on the Southern Atlantic coast round Huelva where the climate is similar to that of Portugal's highly popular Algarve.

With 65 per cent of all tourists entering Spain by road, there is no reason why the authorities cannot tempt people to spend at least some of their time away from the coast. The main difficulty in this is not the lack of sites but the bad state of the roads. Spanish roads are generally narrow and poorly surfaced and the road building programme has been severely hit by the current recession.

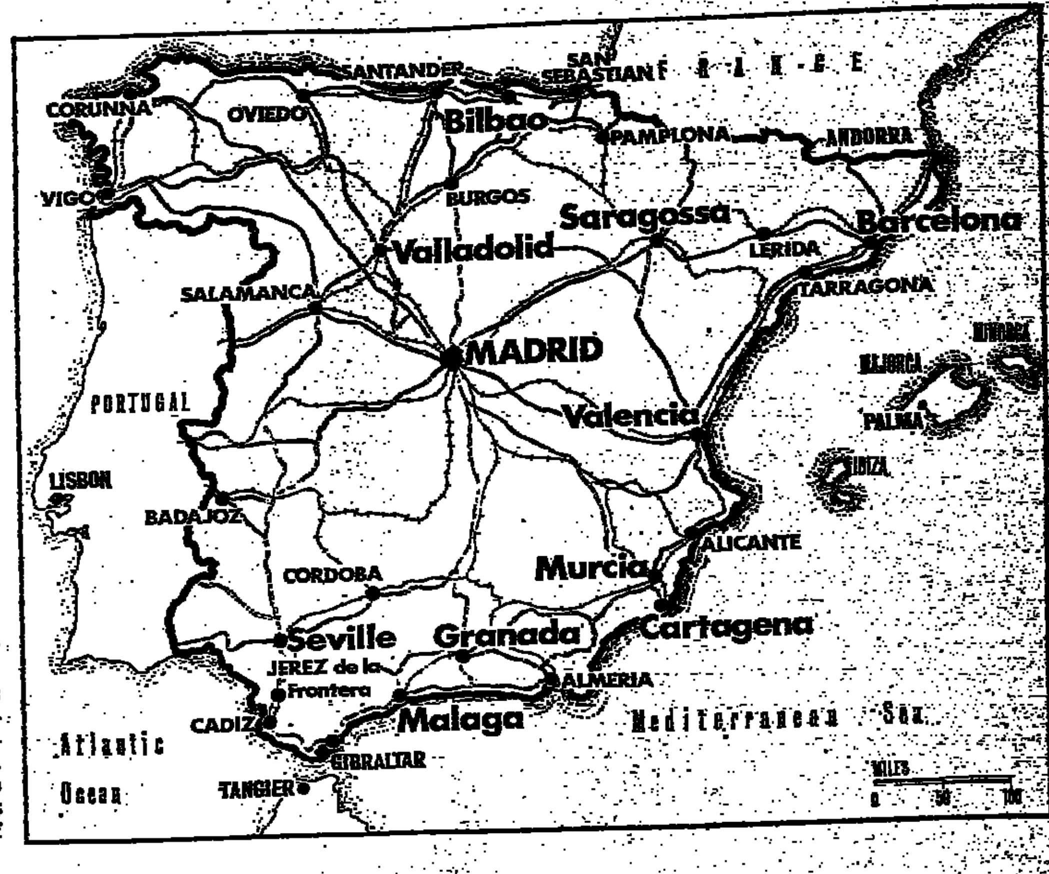
A major unknown for the coming year is the effect the dispute over the transfer of Iberian flights from Heathrow to Gatwick will have on schedule and charter flights. At stake are the issues here. Firstly, the Spanish carrier Iberia is strongly contesting its forced projected moved to Gatwick, originally scheduled for April, 1979. Because the negotiations have been handled undiplomatically by the British Airports Authority it is quite possible that Iberia and the Spanish authorities may take some form of retaliatory action to exert pressure.

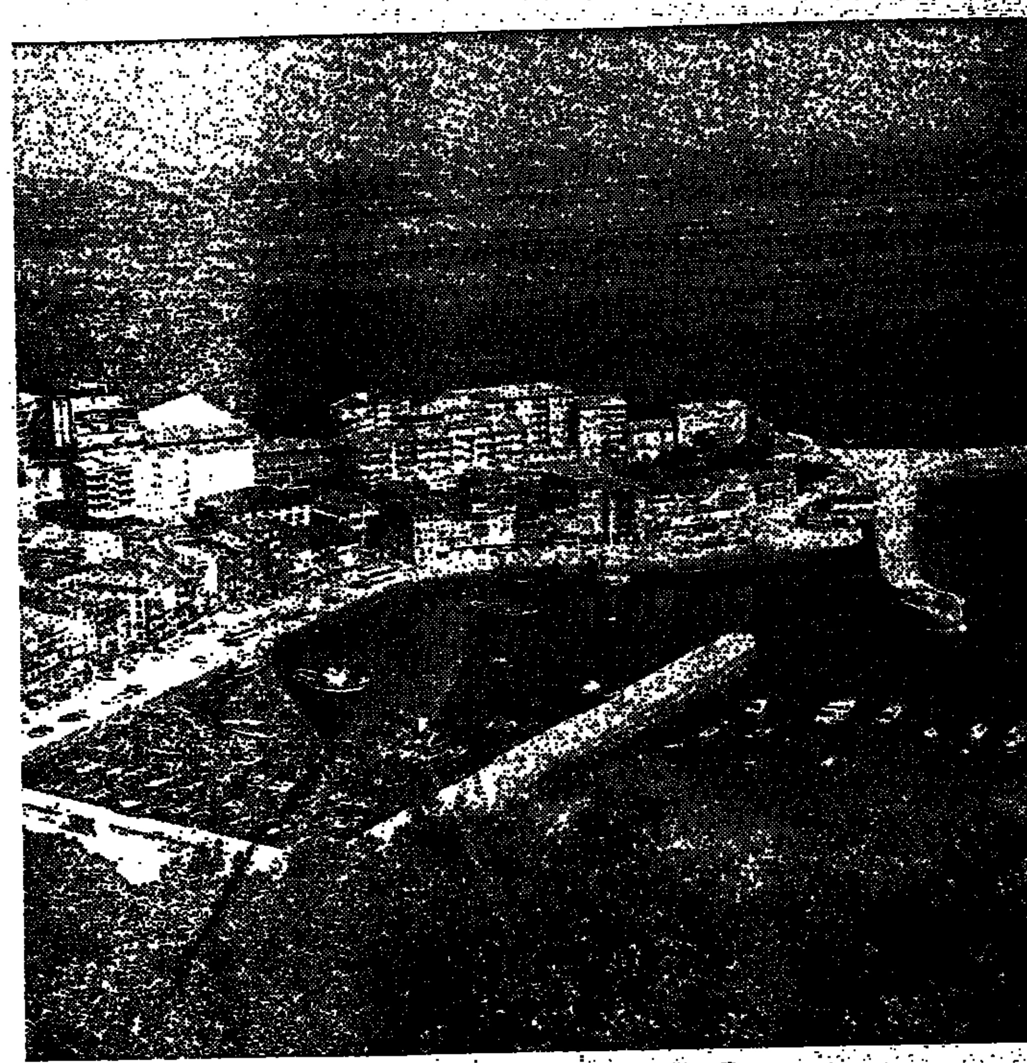
Secondly, and interrelated, charter traffic from the UK is largely conducted by British carriers. The Spanish would like to have a larger slice of this profitable market and could use the Gatwick issue to enforce their claim. Either way if the matter is unsettled the tour operators face an uncertain choice in committing themselves heavily to Spanish tourism next summer.

At it was the tour operators last summer throughout Northern Europe were hard hit by the go slow of the French air traffic controllers. Spanish tourism did not suffer since tourists affected were kept "grounded" at their hotels until new groups arrived. But the vulnerability of air charter tourism was underlined and here again the tour operators are likely to be more cautious.

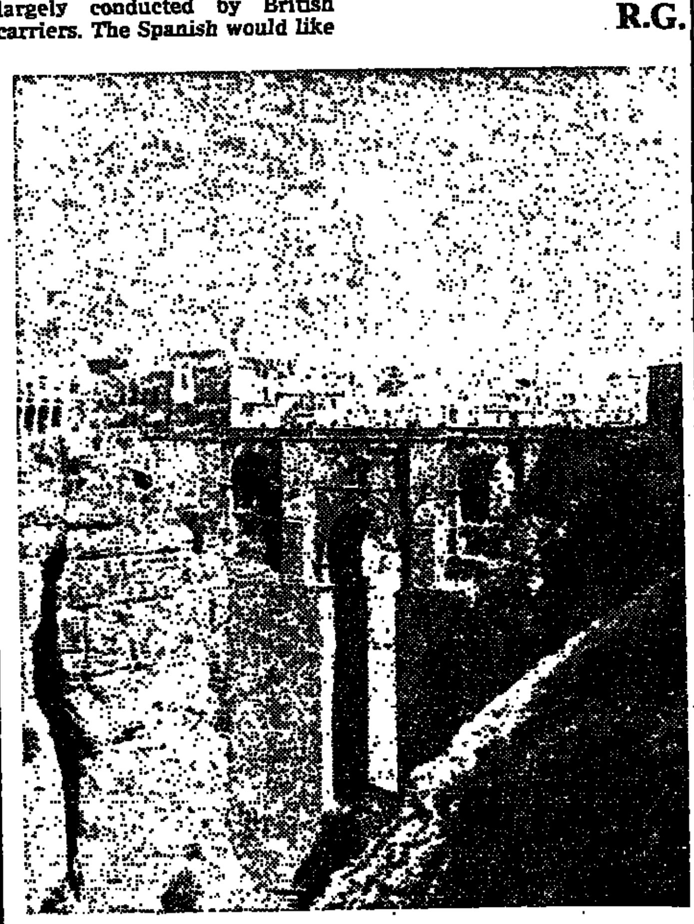
All this suggests that 1979 is liable to be a year in which tourist growth will be either constant or will drop. Provided the industry can come to terms with its higher costs, this need not matter.

R.G.





Elanchove, a fishing village near Bilbao

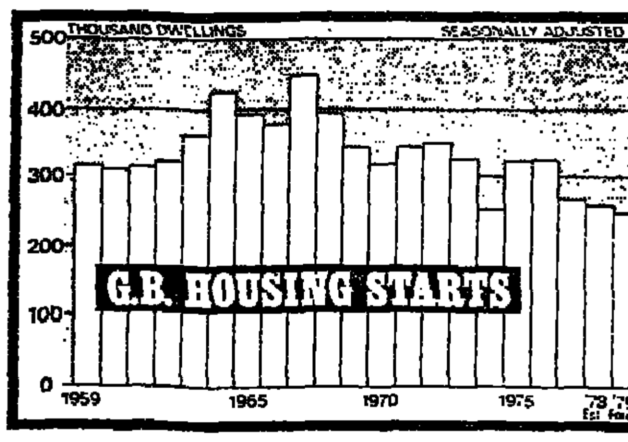


Ronda, near Malaga, stands astride a 600 ft gorge spanned by an 18th century bridge

HOUSING INDUSTRY PROSPECTS

BY MICHAEL CASSELL

Learning to live in lean times



WITH THE 1978 new house-building programme set to go down as one of the worst in post-war years, the housing industry is bracing itself for an even tougher period ahead.

A severe decline in output for the public sector combined with a fresh downturn in private house building means that most housing contractors face the continuing prospect of below-capacity output in an industry which may yet again be due for another painful shake-out.

A puzzling aspect of the latest situation is that it has failed totally to provoke even the mildest form of controversy or the beginnings of a political row. A housebuilding performance which, until recently, would have thrown Ministers onto the defensive and would have been held up by political opponents as "a national scandal" has raised hardly a passing comment.

Only the housebuilders themselves have been making warning noises about what is to come. But their traditional readiness to complain that all is not well has again cushioned the impact of their latest dire forecasts.

Although the silence on the political front may be at least partially attributable to the Opposition's pre-occupation with other matters, it is more likely that it reflects a growing belief that changes in housing policy mean the house building industry may not in future be required to maintain either the type or level of performance previously considered nationally necessary.

In a country where there are now more houses than households—though plenty of housing problems still abound—the success of a housing programme can no longer be measured in the rate of new building alone.

While a substantial volume of new development will be required to cope with the formation of new households (135,000 net over the next decade), the removal of overcrowding and the replacement of unfit housing, much more is now being done by way of rehabilitation, conversion and repair.

But in spite of this trend, the present rate of new house building in both the private and public sectors must be considered less than satisfactory by any standards. The situation appears bleak when presented in numbers.

Performance

In 1978, the housebuilding industry is likely to have started work on a combined total of 260,000 private and public sector homes, against the already poor 1977 figure of 267,000. It is only the third time in 20 years that the total has fallen below 300,000 and it compares very poorly with the peak performance of nearly 450,000 in 1967.

At the same time, the number of private and public sector homes completed by the industry this year is expected to reach about 285,000 compared with 302,000 in the previous 12 months. Ten years ago, the industry was finishing well over 400,000 new homes every 12 months.

Prospects for 1979 look even worse, with builders expecting to begin work on no more than 250,000 homes. The number completed might fall to 265,000.

But if, because of changing circumstances and priorities, the state of the house building industry as it enters 1979 does not represent quite the catastrophe it would once have been, there are several grounds for serious concern about its medium-term prospects.

Although Ministers may not be dwelling on the fact in public, the current and projected rate of public sector housing construction is giving rise to considerable alarm. As far back as October 1977, Mr. Reg Freeson, Minister for Housing and Construction, was warning the country that the local authority house building programme, already seriously depleted, was set to deteriorate still further.

He pointed out that the Government had in 1977-78 budgeted for about 100,000 local authority approvals and that it would be lucky if the final figure reached 75,000. In the event, his forecast proved optimistic and the number of approvals barely reached 65,000 against 110,000 in the previous 12 months.

The number of public sector houses—including those built by housing associations—actually started in 1977 fell to 132,000 from 171,000 in the year before. This year the final figure is expected to drop further to 110,000. Completions, which last year reached 162,000, seem likely to drop to 135,000 in 1978 and to fall again in 1979.

Mr. Freeson has laid much of the blame for this "dangerous trend" on Conservative-controlled councils which are refusing to take up already low budgets because of their reluctance to pursue a public sector house building programme. A year ago, he was threatening to seek out those which attempted to make a mockery of the Government's housing strategy and to divert resources away from those authorities which were not spending what they were given.

But in announcing a few days ago his housing expenditure plans for 1979-80, Mr. Peter Shore, Secretary for the Environment, had to admit that the low level of new house building schemes undertaken by local authorities had continued into the current financial year. Approvals, he said, were likely to remain a long way short of the number on which provision for expenditure had been based and he seemed less than confident about the chances of achieving any significant revival in the near future.

Even more disturbing were figures produced by his Department providing a foretaste of local authority plans for tender approvals into the 1980s. They showed that, under the new housing investment programme approach, which gives local authorities greater freedom to allocate resources according to local needs, annual approvals were planned to decline steadily over the next four years to a point only a little over 50,000 units.

Caution

The Department rightly emphasised that such figures should be treated with caution because firm plans had yet to be formulated by the authorities, but there is no doubt that DOE officials will now, in discussion with local authorities, be making a big effort to overcome the reluctance of many councils to build new homes.

In instructing regional offices of the DOE to consider with individual councils whether their plans for rehabilitation, in preference to new building work, do not imply preservation at an unduly high cost, Mr. Shore and his advisers must be wondering whether exhortations to renovate rather than build from scratch may have been taken just a little too wholeheartedly.

The DOE hopes that the present fall in public sector housing construction—and for that matter the substantial underspending on construction generally recorded by local authorities for the past two years—represents nothing more than a trough while they adapt to the new system of financing before organising an increase in their programmes.

For the time being at least, the policy is one of encouraging more activity—largely by leaving the volume of funds for all types of housing work substantially unchanged—rather than attempting to boost upon it.

But as this week's report on construction prospects from the building and civil engineering Economic Development Committees pointed out, it seems likely that the housing investment programmes have led to a re-appraisal of spending programmes and made housing authorities more reluctant to embark on new housebuilding.

On the evidence so far, the committees believe that, under the new system of allocating resources, the weight of new housing work in relation to other forms of housing expenditure is likely to be smaller from now on.

The committees added a further gloomy twist to any assessment of prospects for the house builders by suggesting that housing association programmes, now a significant factor, also looks less favourable. Tender approvals are falling sharply.

The outlook is barely more encouraging in the private housebuilding sector, which for the past 12 months has struggled to re-establish output at more acceptable levels. Not since 1973 has the industry managed to exceed 200,000 private starts and this year the figure will reach barely 150,000.

But such a total will represent a welcome increase on the 1977 figure of 135,000 although the industry believes that in 1979 starts will once more fall back to around the 135,000 mark. Completions this year are also expected to reach about 150,000 after 140,000 in 1977, but a steady decline is expected in 1979 and 1980.

Reluctant

The house builders, who have at least been achieving higher profit margins after four years in which costs outstripped prices, are uneasy about the future strength of the market and therefore reluctant to edge building programmes any further upwards.

Mr. Colin Shepherd, president of the House-Builders Federation says that since builders marked down their forecasts for next year, nearly all the factors affecting their confidence have deteriorated further. "With the single exception of house prices, the other key elements of mortgage and land availability have steadily worsened."

The fact that—in spite of all the emphasis on government limits on lending—the building societies have this year been lending record amounts to record numbers of home buyers has still not encouraged the builders to take an optimistic view of 1979. They were apparently shocked at the sudden and dramatic way in which the cut-back in lending introduced early in 1978 stifled effective demand and, even after the latest slackening of lending guidelines, they have fears about the societies' ability to meet the level of mortgage advances now being projected for 1979.

Mr. Shepherd comments: "The effect of the restrictions on building society lending was more serious and wide-ranging on individual house purchasers and builders than had been expected. For builders, the cut-back has led in many cases to disruption of sales plans, cash flow problems and growing fears of a marked fall in the level of sales in the crucial early months of next year.

"There are also growing doubts about the societies' ability to attract sufficient funds to lend up to the newly agreed limits, at least in the early part of next year."

In addition, the house builders claim that all their predictions—about land shortages being exacerbated by outdated planning regulations and community land legislation—are now being fulfilled.

There is no doubt that anxiety about land availability is now widespread and the builders say that what has been a potential threat for four years is now beginning to have a real impact on their building programmes for 1979 and beyond. The shortage of good building land, they claim, will constitute a restriction on the supply of new houses from now on.

Pressures

At present, the builders and the Government are engaged in a lengthy dialogue aimed at proving whether or not there is any land shortage. The Department of the Environment remains as adamant in its view that there is not, as the housebuilders are determined to show that there is.

Whoever is proved to be correct, housebuilding output during the next two years at least—both private and public sector—is likely to continue at historically low levels.

Because of the new emphasis on preserving and improving the existing stock, it cannot yet be determined whether the decline will have minimal impact or whether it will give rise to the type of supply and demand pressures that have in the past created chaos and which the builders and the Government are anxious not to see repeated.

Letters to the Editor

Econometric decline

From the Managing Director, Cambridge Econometrics

Sir,—Those involved in major investment and policy decisions must look beyond the 18 months for which Mr. Prag (December 7) believes forecasts have validity. We would be the first to admit that to do so involves elements of guesswork, but use of an econometric model forces us to make that guesswork explicit, and consistently work out the implications for all the industries in the economy.

We have not said that any industry will be "wiped off the map." We do think that it is likely that some, such as cars and shipbuilding, will decline very steeply.

For example, motor vehicle imports are increasing in almost every country and in the UK this long term trend is particularly strong as slow productivity growth, compared with that abroad, raises unit costs and prices. Since 1967 devaluation has counterbalanced these effects, but the payments surplus generated by oil revenues implies a slower sterling depreciation in the future. For those who do not accept the possibility of a vicious circle of decline we would point at the experience of the British motor-cycle industry.

Mr. Prag apparently criticises our short term outlook on the basis that it is more pessimistic than the rosy picture painted by other forecasters. But we can only be judged by comparison with the outcome about which none of us has definitive information. The reasons for our pessimism are that we believe the earnings increases gained under Stage 3, which so far have provided the real income increases responsible for the consumer boom, will feed through to prices and reduce domestic consumption and exports. Our judgment that there will be no cut in tax rates next year slows down real income growth further.

Mr. Prag further confuses the issue by comparing our forecast of a 20 per cent fall in vehicle output with expectations of a boom in sales. We cannot be dogmatic about the precise timing of the downturn in this market, particularly since the Ford strike will have pushed some 1978 production into 1979. But it is not unreasonable to expect a cyclical decline in durable sales once the period of rapid real income growth is over. This is the pattern which was observed during previous expansions.

No doubt the "rational subjectivity" which Mr. Prag advocates as a substitute for econometrics can do something to alleviate the difficulties of British industry. But by trying to put reasonable numerical values on the factors behind the decline, we hope that we can do something to help avert it. And if non-numerate rational subjectivists do find a magic wand to cure our problems, it might be safer to simulate its effects in an econometric model before applying it to the real world, where real jobs are at stake.

Hervey Gibson,
PO Box 114,
21, St. Andrew's Street,
Cambridge.

Pension fund accounts

From the Chairman, National Association of Pension Funds

Sir,—Since the attitude of the National Association of Pension Funds to disclosure of pension fund accounts has been criticised (Lex, Dec. 11) I would like to make our position clear. We encourage the preparation of full informative annual accounts (on the lines recommended by Lex) and their free availability to the members and beneficiaries of pension funds who have a direct interest in them. We think this practice is less rare than Lex implies.

Since formal accounts are often confusing to the average contributor we have also encouraged the preparation of "popular versions" with graphic illustrations etc. to encourage interest by those without an accounting background, and many funds also do this.

We welcome the interest shown by responsible trustees, representative of both management and members and evidenced by the independent assessment of investment performance which many trustees obtain from consulting actuaries and others.

What we are doubtful of is the need to set up a statutory body (presumably involving additional charge on the tax payer) to monitor and co-ordinate these actions which pension fund members and beneficiaries are entitled to expect.

Ken Smith.
Prudential House,
Wellesley Road, Croydon.

Planning for electricity

From Mr. D. Green

Sir,—There is a general—and fallacious—belief that as oil shortages develop, coal will come to our rescue. No doubt your leading article (December 6) and report of the Anglo-U.S. conference on aerospace will encourage that belief. Qualitatively it is true—as said at that conference—that it is possible to produce a suitable jet fuel from coal. But the quantities involved severely limit what is possible.

Approximately half a ton of various oil fractions can be won from a ton of coal. Assuming the conversion capacity therefore, we would require at least 200m tons of coal to replace the 100m tons of oil consumed in 1975. Yet 1975 coal production was only 126m tons in total, and as you say production may not be more than 170m tons by the end of the century.

UK offshore oil production may well fall below current consumption levels by 1985, when world oil demand is expected to exceed supply. From then on we shall have no choice but to reserve oil and its products for priority uses for which there is no substitute: much of the 80 per cent of present UK goods traffic which goes by road, for example, could be taken on to electrified railways powered by nuclear or other energies—if we had far greater electrification—but it is difficult to see how electricity or unconverted coal could be used to drive farm tractors: without oil conventional farming will collapse.

Microprocessors can achieve major energy savings in industry —if only by a radical reduction in the energy costs inherent in conveying people to and from work and maintaining an acceptable biological environment for them when there: equally many more people can work from their home base, given adequate electronic and glass fibre forms of visual communication. But the investment to produce these is so far non-existent; and the social problems are formidable.

We could make a major contribution to our food needs by on site production from gardens, allotments and smallholdings—cutting out many of the energy costs of the producer—and virtually all of those downstream in the chain of collection, transport, processing and distribution. We already have unproductive labour inherent in people's spare time and 1.25m unemployed; and at least 0.25m acres of waste urban land (and more in rural areas). But we have made no move to use them.

We shall need electricity to substitute for many other fuels as shortages develop: yet we are still planning generating capacity on the levels of existing demand patterns, and in the knowledge that 10 years is a very average period separating the start of planning a power station from the time when electricity is available on the bars.

David Green,
Rhyd yr Harding,
Castle Morris,
Nr. Haverfordwest, Pembs.

Pensioneer trustees

From Mr. N. Freethy

Sir,—As a "pensioneer trustee" and a partner of one of the firms of actuaries alluded to by Eric Short in his article "Having your cake and eating it" (December 2) I agree with most of the comments made by your correspondents on December 8 but was surprised to learn that I failed Mr. Huggins' "test" of impartiality and lack of bias which he implies cannot be passed when the actuary to the company is also a trustee of its (self-administered) pension scheme. In more than one instance I act in both capacities, and until now had always believed that I was acting in the best interests of all concerned.

It should be pointed out that the Inland Revenue is highly selective in its choice of "pensioneer trustees" and will, I understand, only appoint people who deal with it regularly on behalf of clients. Since the Revenue's approval of private pension schemes is all important no practitioner in his senses would jeopardise his relationship with it by acting other than responsibly. Also it would be ill-judged if a professional man such as a consulting actuary were not to act impartially in a situation where the interests of the members and the trustees, as well as the employing company, are concerned. If he is also a trustee the spotlight falls on him to an even greater degree.

Choice of trustee depends about all on the individual. In my view the best pension scheme trustees are those who understand most about the objectives of the particular scheme and the complex area in which they operate, and there is surely no one better qualified to do the job than the scheme's actuary.

N. D. Freethy.
Church Farm,
Pinner, Middlesex.

The forgotten landlord

From the Press Officer, Small Landlords' Association

Sir,—Your leader (December 4) refers to the enforced subsidies from landlord to tenant and the expensive nature of the Government's latest proposals for financial assistance for first-time house buyers.

There are other proposals, one of which is designed to deal with the sad state of much of the housing stock. Predictably, this problem is concentrated in the private rented sector.

The Government knows that the root cause of the problem is the grossly sub-economic level of rents. But in working out its latest proposals to provide grants for private tenants there is not one reference to the legitimate interests of landlords.

Indeed, the Government seems to be quite ready to allow tenants to undertake grant-aided improvements without the consent of the landlord once the complications can be overcome. Surely no Government should contemplate allowing private tenants to carry out improvements unless and until the landlord is in receipt of an economic rent and then had wilfully refused to carry out the improvements himself.

But it is typical of this Government (and regrettably most governments) to support and promote the interests of one party (the tenant) regardless of the injustice to the other party (the landlord).

Cases come to this Association almost daily of tenants not content with peppercorn rents seeking to manoeuvre and engineer the purchase of the property as sitting tenants at a fraction of its true value. The landlords in question are far from the general image of the prosperous speculator type. They are good people (often poorer than their tenants) who find that not only the law but the advisory centres and the Citizens' Advice Bureaux are against them.

Good landlords (and there are still plenty of them left) respect tenant interests and want to be able to let on fair and reasonable terms.

But can any impartial observer regard the present situation as reasonable? It is all based on the conception that on letting a property to a tenant (usually a complete stranger) it is perfectly right and reasonable that the landlord should surrender to that tenant (and his successors for two generations) virtually all rights of repossession; the right to sub-economic rents; and total control over the difference between the previously unoccupied value and the presently occupied value.

Prejudice and misunderstandings extend to the Court of Appeal. Their Lordships have deprecated the use of licences to circumvent the Rent Act but have acknowledged that it is legitimate for the landlord to seek to increase his profits.

Who, in their right mind, would invest in a letting arrangement which — produces an immediate loss of two thirds of the capital value of the property; yields a sharply negative return because the 2 per cent net yield from "fair" rents is before amortisation and the landlord receives no tax allowance for amortisation; bonds the landlord to the tenant indefinitely regardless of their relationship and almost regardless of any, but the most serious breaches of the contract by the tenant.

We condemn the situation in Rhodesia and South Africa. The Rent Act is just as racialist in terms of the landlord/tenant relationship.

G. F. Cutting.
c/o 7 Rosedene Avenue,
Streatham, SW16.

Three times a winner

From Mr. A. Slack.

Sir,—A lady friend of mine has just received by the same post three £50 warrants, being her share of the November draw by Ernie. I should imagine that this is a record and wonder if any of your readers can match up to it?

Arthur R. Slack,
45, Brockwell Lane,
Chesterfield.

Today's Events

GENERAL

Mr. Eric Varley, Industry Secretary, discusses with unions British Shipbuilders plan to cut 12,300 jobs.

TUC Economic Committee meets at Congress House, London.

Air Transport Users Committee annual report published.

Mr. Wm. Miller, U.S. Federal Bank chairman, speaks on economic and currency questions, Frankfurt.

Henley Centre for Forecasting seminar on exchange rate movements to 1985; Carlton Tower, London.

Royal Services Institute for Defence Studies meeting on British nuclear deterrent policy, Whitehall.

OFFICIAL STATISTICS

Index of industrial production, October provisional figures.

PARLIAMENTARY BUSINESS

House of Commons: Debate on the Government's fight against inflation. Motion on EEC documents on the European Monetary System and on its implications for the Common Agricultural Policy.

House of Lords: Debate on the need for a National Council on gambling. Debate on the collapse of exploratory drilling on the UK Continental Shelf. Representation of the People (Armed Forces) Bill, second reading. Deer Bill, second reading. Debate on Anglo-American Chambers of Commerce.

Select Committees—Nationalised Industries, sub-committee B. Subject: British Steel Corporation report and accounts. Witnesses: BSC. 10.45 am, Room 8. Science and Technology, Genetic Engineering Sub-Committee. Subject: Public policy issues raised by recombinant DNA work. Witnesses: Genetic Manipulation Advisory Group. 10.30 am, Room 15. Overseas Development. Subject: UK aid to India. Witnesses: Ministry of Overseas Development. 4.30 pm. Room 6.

COMPANY RESULTS

Final dividends: Caravans International, CompAir, Dubilier, Arthur Lee and Sons, Saatchi and Saatchi Company, Trans-Oceanic Trust, Whessoe. Interim dividends: Braithwaite and Co. Engineers, Deritend Stamping Company, Guthrie Corporation, London Merchant Securities, LRC International, Russell Brothers (Paddington), Warnford Investments, Wyndham Engineering. Interim figures: Cawdaw Industrial Holdings, Cutler Guard Bridge Holdings, G. M. Firth Metals, Shaw Carpets.

COMPANY MEETINGS

See Company News on page 34

United Spring leaps to £1.27m

PRE-TAX profits of United Spring and Steel Group rose by 65 per cent to a record £1.27m, against £765,000, for the year ended September 30, 1978. Turnover was up 13 per cent from £19.95m to £22.06m.

Mr. D Westwod, chairman, says profits would have been higher but for industrial disputes, especially in the motor industry, which affected the final few months of the year.

At the halfway stage pre-tax profits were up from £278,000 to £676,000

Mr. Westwood adds that the steel division contributed the majority of the increase over last year's profits, and the spring division again improved its performance. The figures include a contribution from the most recent acquisition, the Gillsan Company.

The final dividend is raised from 0.932p net per 10p share, to 1.0714p making a total of 1.6214, against 1.452p. The dividend is covered 2.04 times (2.5) and stated earnings are unchanged at 5p.

	1977-78 £000	1976-77 £000
Sales	22,037	19,970
Profit before tax	1,266	765
Tax	613	217
Profit after tax	653	548
Extraordinary debits	130	*11
Dividends	217	159
Retained earnings	374	357

* Debit

● comment

United Spring's figures include a small first time contribution from Gillsan and the first full result from Riley. But a two thirds increase in pre-tax profits was roughly in line with market hopes following the excellent first half. Virtually all the improvement came from the steel division where United saw a slight upturn in demand during the summer. With the steel sector still in the doldrums however, United's success has stemmed primarily from its move to the quality end of the market where it can provide a bigger and consequently more profitable service to clients. Meanwhile spring manufacture, which made most of the running in 1976-77 was held back by companies which supply the motor industry. Profits of the Dutch subsidiary, for example, were well down on last time but orders have apparently picked up in the current year. Overall, the Ford strike has upset an otherwise good start but although the group's markets are hardly booming, the balance sheet is sound and further expansion seems assured. At 28p, the historic p/e is 5.4 but the 9 per cent yield is clearly the chief attraction

Dividend table is on P 34

Trafalgar House jumps £14m to exceed £60m

A SLUMP in profit from £17.66m to £2.95m from shipping, aviation and hotels at Trafalgar House was offset by growth in other areas and recovery from a £239,000 loss to a £3.2m surplus from newspapers and magazines in the year to September 30, 1978.

The group finished the 12 months showing taxable profit £14.22m ahead to a record £60.63m. Sales advanced £238m to £825m with the overseas content up from £240m to £267m.

Performance in the first half, when surplus was up £8.48m to £29.49m, benefited from a £15m profit on two large property sales. Growth in the second six months was lower at £8.48m to £31.14m for the group whose interests include Cunard and Beaverbrook Newspapers and during the period acquired Morgan Grampian.

	1977-78 £000	1976-77 £000
Sales	825,000	587,000
Operating profit	64,107	50,248
Property	22,625	7,915
Investment	15,031	8,051
Engineering & bldg.	20,296	16,857
Shipping & hotels	2,954	17,664
Newspapers & mags	3,200	*239
Interest paid	3,476	3,594
Pre-tax profit	60,631	46,414
Tax	21,221	16,245
Net profit	39,410	30,169
Minorities	707	772
Extraord. debits	1,229	‡767
From reserves	—	26
Dividends	5,292	5,112
Retained	28,154	21,577

* Loss. † And tax equalisation. ‡ Credit.

Revenue from property during the year climbed from £7.92m to £22.63m and investment activities produced £15.03m against £8.05m. There was also £3.44m rise to £20.3m in profit from contracting, civil structural and specialist engineering and housebuilding.

With tax and tax equalisation amounting to £21.22m (£16.26m) earnings per 20p share emerged 3.5p higher at 24.1p from which is paid a net final dividend of 2.93p. This lifts the total to 5.76p (5.16p)—slightly ahead of the level forecast at midway. A one for two scrip issue is proposed.

A £2.6m (£6.3m) surplus arising on exchange fluctuations relating to foreign currency assets and liabilities has been credited to reserves.

At year end investments were £3.71m (£3.99m) and funded debt, shipbuilding and other loans were up from £139.72m to £171.45m.

The company is planning to introduce a profit sharing scheme as envisaged by the Finance Act 1978, for certain group employees.

See Lex

HIGHLIGHTS

Trafalgar House has produced good profits growth overall but it has relied heavily on exceptional profits from property and share sales while the shipping side has been severely depressed. Profits growth in the first half at Standard and Chartered Bank has been held back by currency movements. The worst fears about Borthwick's (completing the Lex cloumn), results were not borne out yesterday when the company produced profits hardly changed and the shares responded with a 5p rise at 73p. Elsewhere, IC Gas has been held back by losses at Calor Gas but the company remains optimistic about the remainder of the year. The depressed state of the bearing industry is apparent in the figures from Ransome Hoffman Pollard and it has been left to the electrical division to offset the damage. Redfearn Glass has also had a difficult time with profits 40 per cent lower in the second half due to pressures from cheap imports. On a brighter note United Spring has turned in profits a £1m better with all the improvement coming from the steel side.

Borthwick second half recovery

A SUBSTANTIAL recovery in second half profits is reported by Thomas Borthwick and Sons, and the group finished the September 30, 1978, year just behind at £6.22m against £6.4m previously. Turnover was well up at £512.2m compared with £405.4m.

At the interim stage profits had fallen from £5.1m to £2.2m mainly from industrial unrest in New Zealand meat industry, the unsatisfactory state of the UK domestic meat trade, and the integration of Matthews group.

The directors now say that in New Zealand the industrial unrest and economic problems continued. However, a wage settlement of major importance has been negotiated and in the two months of the current year there has been no stoppages at any of the group's works.

Fresh meat wholesaling in the UK remained poor in the second half of the year, but international meat trading was good, they add, especially for Australian and New Zealand exports.

In spite of a slightly lower result at the pre-tax level the tax charge for the year was less at £2.03m (£2.4m) leaving a net profit of £4.19m compared with £4m.

And after taking £560,000 from minorities (£14,000 profit), and a smaller extraordinary debit — £189,000 against £413,000 — the attributable profit emerged higher at £4.36m (£3.57m).

On increased capital, earnings are shown as 10.53p (11.39p) per 50p share and the dividend for the year is maintained at 6.2p with an unchanged final of 3.8p net.

The new Matthew's divisions have been fully integrated and Flavours and Essences, Meat Retailing in the UK and France have made above forecast profits. Midland Cattle Products had a good year and the lossmaking Thamesmead factory is now sold.

Disposal of all Matthews' minority interests and unwanted activities is now complete, directors state.

See Lex

John Booth leaps to £128,200

A PRE-TAX profits recovery from £57,480 to £128,228 was made by John Booth and Sons (Bolton) in the half year to September 30, 1978, on turnover just ahead at £2.99m, against £2.96m.

For the whole of last year the group turned in pre-tax profits of £80,000, compared with £304,000 the previous year.

After tax of £66,684 (£29,890) and minorities £9,283 (£4,028) retained profit comes out at £52,271, against £23,562.

J. Latham well ahead

PRE-TAX PROFITS of James Latham, timber merchant, are up by more than a half from £501,000 to £761,000 for the six months to September 30, 1978, on turnover of £13.79m, against £13.32m.

The directors say the improvement is being maintained and that a reasonable year is in prospect—pre-tax profits for the 1977-78 year were down from £1.32m to £961,000.

First-half pre-tax figures were subject to tax of £396,000, compared with £260,000, leaving a net profit of £365,000 (£241,000).

The interim dividend is raised to 2.95p (2.65p) net per £1 share and costs £74,340; last year's final payment was 4.59p.

W'hampton and Dudley Breweries up £1.35m

RECORD sales and profits were made by Wolverhampton and Dudley Breweries in the year to September 30 1978. Pre-tax profits rose 23.5 per cent from £5.77m to £7.12m on sales up 17.1 per cent at £48.89m, against £41.76m.

But Mr. E. J. Thompson, chairman and managing director, says rising costs, particularly high wage awards, mean the company will have to apply to the Price Commission for increases in beer prices early in the New Year.

The final dividend is 4.58469p net (4.03623p) making a total of 6.58469p, against 5.73623p. Treasury approval has been given for the dividend increase which is slightly above 10 per cent. Stated earnings per 25p per share are raised from 17p to 21.1p.

Mr. Thompson adds that all sections—public houses, hotels and free trade—continue to contribute to the steady growth of the business. The programme of improvements to houses has been maintained and three new pubs were opened.

Hotels enjoyed a good trading year and the free trade in traditional draught beers has expanded in a very competitive market.

The group has continued its programme of increasing production capacity. Further fermenting vessels have been commissioned at Park Brewery and an additional cask storage area has been built. During 1979 the company expects to install a bulk malt intake store and erect additional mash tuns.

Capital spending continues at a high rate and bank borrowings, therefore, have again increased.

Wilson Bros. up £76,000 midway

PRE-TAX profits of Wilson Bros., the greeting cards and ancillary products group, rose from £486,029 to £562,276 in the 26 weeks to September 30, 1978. The group was helped by the turnround from a loss of £3,707 to a small profit of £509 on property development.

Turnover for the period was ahead from £6.11m to £7.15m.

The interim dividend is raised from 0.646p to 0.7p net and earnings per 20p share are shown up from 2.01p to 2.28p. For the whole of last year the company paid 1.403p on pre-tax profits of £1.09m.

As well as the property development profit the pre-tax figure included investment and other income £18,265 (£20,082). It was after the deduction of directors' remunerations and expenses of £53,751 (£46,345) and interest of £144,156 (£147,987). Tax takes £300,000, against £253,000.

Standard Chartered held back by strong sterling

PRE-TAX profits of Standard Chartered Bank rose by 8 per cent from £62.47m to £67.24m for the six months to September 30, 1978. And the directors state that the improvement would have been in the order of 17 per cent but for the appreciation of sterling against the currencies of many of the countries in which the group operates.

Increased demand for finance in the Far East together with higher interest rates resulted in a substantial improvement in profit from that region.

	Half year 1978 £000	Half year 1977 £000
Trading profit	56,844	54,414
Assoc. companies	10,392	8,052
Pre-tax profits	67,236	62,466
Tax	32,577	31,766
Bank and subs.	27,438	27,336
Assoc. companies	5,139	4,430
Net profit	34,659	30,700
Minorities	5,405	4,094
Extraord. debit	644	†741
Attributable	28,610	26,847
Retained	22,739	21,291

† Credit.

The subsidiary in South Africa, in which the bank's interest has fallen to 39 per cent as a result of not taking up entitlement in a rights issue, benefited in an upswing in trading volume.

The growth overseas has not, however, been matched in the UK and Europe other than in the areas of consumer credit and leasing, the directors state:

Earnings are shown at 42.3p (38.5p) per £1 share and the interim dividend is increased from 7.75p to 8.5p net—last year's final payment was 11.6006p with an additional 0.1758p, paid from record profits of £126.15m.

The group is changing its financial year end from March 31 to December 31 with effect from December 31, 1978. The interim report therefore is in respect of the nine month period to December 31.

See Lex

Sterling Industries edges ahead

ON TURNOVER up from £2.3m to £2.5m Sterling Industries turned in pre-tax profits £26,000 ahead at £500,000 for the six months to September 30, 1978.

The directors say the second half results should not be significantly different from those of last year when the group made pre-tax profits of £933,000, after £459,000 in the second six months.

Taxation takes £240,000, against £228,000, leaving £240,000 which excludes the profits of the subsidiary Crewkerne Investments.

Crewkerne's net attributable profit for the half year was £68,000 which takes the group's after tax profit to £308,000 (£287,000).

The net attributable profit from Crewkerne for the year to March 31, 1979, is estimated at £129,000.

Arrears of preference dividend at September 30 this year were £42,588. These are to be paid off at the rate of £6,125 a year.

The interim dividend is raised from 0.35p net to 0.3861p and there is an ACT payment of 0.0139p for last year. Earnings per 2½p share are shown up from 1.435p to 1.49p. Last year the company paid a total of 1.2831p, including the ACT payment.

Dobson Park well on target

IN LINE with forecast, the directors of Dobson Park Industries report record pre-tax profits of £13.78m for the September 30, 1978 year, against a previous £11.13m. In May, at the time of the one-for-eight rights issue they said that profits would be not less than £13.25m for the year; interim profits were ahead from £4.91m to £6.35m.

Also, as forecast, the dividend for the period is increased in the context of the rights issue, to 4p net per 10p share compared with 2.132p last time, with a final payment of 2.5p.

As anticipated, the mining division continued to make progress with excellent levels of production, and finished the year on a strong note, and this has continued in the current year to date.

Kango had a particularly good second half year directors state, and exports are a record with sales for the year showing a 21 per cent increase.

The previous industrial products division has been merged with engineering division and results for the year are shown accordingly. As mentioned at the interim stage, demand for Markon alterators was substantially higher than in the previous year and profits were accordingly good.

The Petite typewriter had a splendid year's trading. Elsewhere in the division some trading difficulties have been experienced but there are signs of recovery, the directors say.

Orders on hand are at satisfactory levels, they add.

	1977-78 £000	1976-77 £000
Sales	142,723	107,837
Mining	67,382	48,132
Engineering	52,872	44,388
Kango	12,028	9,436
Property	1,337	1,299
Overseas sub.	8,424	4,501
Less: interim dividend	18,711	9,429
Profits	12,628	9,482
Mining	5,503	3,926
Engineering	2,719	2,644
Kango	2,309	1,683
Property	1,414	1,020
Overseas sub.	591	284
Assoc. profit	1,182	1,780
Deb. interest	46	48
Other charges	199	61
Profit before tax	13,775	11,133
Tax	3,052	3,357
Net profit	10,723	7,798
To minorities	84	—
Extraordinary debit	—	120
Attributable	10,639	7,678
Interim ordinary	1,003	495
Proposed final	1,672	772
Retained	7,964	6,411

The group has adopted SSAP 15; tax charge represents UK and overseas taxes actually payable on the profit

After tax earnings are shown as 18.9p (12.7p) per share.

The retained profit for the year, together with the funds raised by the rights issue result in ordinary shareholders' funds of £51.32m which represents 76.7p per share.

The group has acquired a 38 per cent stake in Western Stamping of Jackson, Michigan, for U.S.$360,000.

The company is the sole U.S. distributor of the Petite range of products; Dobson plans to increase its holding to 49 per cent within two years.

● comment

Dobson Park's pre-tax profits top its £13.25m forecast by a comfortable 4 per cent: the major divisions all had a good year although there were losses at Trent Concrete and the garden tools division amounting to several hundred thousand pounds. This year may not repeat the 21 per cent profit increase of 1977-78 but the company is confident of more growth in mining machinery, helped by £13.5m orders from China and Australia and its German companies' sub-contracting for the mining order the Chinese placed in Germany. The Kango hammer is still finding new markets, and margins have risen to 19 per cent on this product. Demand for alternators may be flattening out but if Dobson Park can bring concrete back to break-even there will be a further useful bonus to profits. Unexpectedly high stock increases brought a lower tax charge, but the net cash position improved as capital expenditure undershot forecasts. The company's negligible gearing and large unused credit lines gives it the capability to make a substantial acquisition in the mining machinery or power tool business; it is considering expanding into the U.S. or Europe in this way. At 111p the shares trade on a p/e of 6.4, or 10.4 fully taxed, and yield 5.5 per cent.

هكذا من الأصل

Member FDIC

Officers in Morgan's Treasurer's Division meet daily in New York to set money-management strategies. From left are: Raphael de la Gueronniere; Dennis Weatherstone, head of the division; Myron Taylor; Rene Branch, Donald Riefler; Amos Beason; Kurt Viermetz.

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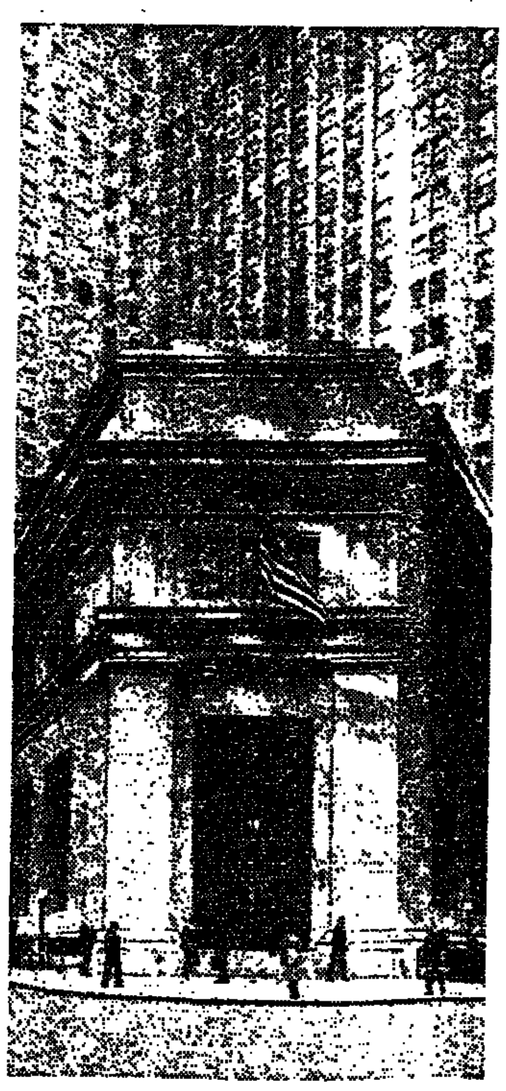

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The Morgan Bank

G Plan orders up over 50%

AT THE AGM of Gomme Holdings Mr. H. Sporborg, the chairman, stated that orders for G Plan furniture in the first four months of the current year were more than 50 *per cent up on the comparable* period a year ago. Deliveries were increasing and the new *factory at Wrexham had been in* production for a month.

Mr L. Gomme, the managing *director, said: "The recent pre*sentation of our furniture to our customers had been most successful. We would enter 1979 with a large order book and the signs were that if present trading conditions *continued even our* increased output might be insufficient."

He felt that there was an increased demand now for well-made, well-designed modern furniture which would benefit G Plan. Problems would no doubt arise with the development of the new factory but he was optimistic about the year ahead.

Upturn at Chapman (Balham)

A CONSIDERABLY improved taxable profit of £407,625, against £42,548, *is reported* by **Chapman and Co. (Balham)** for the 27 weeks to September 30, 1978. External sales by the envelope manufacturer reached £4.49m, compared with £3.34m for the previous 26 weeks.

Present indications are that the upturn is continuing in the *second half. This*, the directors, say, *justifies their policy of avoid*ing large-scale redundancies during the previously depressed *period*. Instead skilled labour has been retained enabling them to meet the now better demand.

The net interim dividend is stepped up to 1.626p (1.478p) per 50p share—last year's final of 2.446p was paid from a surplus of £353,000.

Trading profit for the half-year was £444,885 (£81,102) before interest received of £25 (£543) *and interest paid of* £37,085 (£20,104). After tax, up from £17,000 to £199,150, the net balance emerged at £208,475 (£25,543).

Today's company meetings

S. Caskets, Midland Hotel, Manchester, 12.30. Eleco, Gt. Eastern Hotel, EC, 12. London and Provincial Shop Centres, 28 South Street, W, 3. Wm. Low, Baird Avenue, Dryburgh Industrial Estate, Dundee, 12. Majedie Insurance, Plantation House, 10 Mincing Lane, EC, 12.30. North Atlantic Secs. Cpn., *Bucklersbury* House, 3 Queen Victoria Street, EC, 2.45. Smiths Industries, Reg. Office, Cricklewood, NW, 12. Town Centre Secs., Town Centre House, Merrion Centre, Leeds, 12. Wood Hall Trust, Winchester House, 100 Old Broad Street, EC, 11.30.

Redfearn Glass at £3.9m after second-half set-back

REFLECTING A sharp second half *downturn pre-tax profits of* **Redfearn National Glass** fell from £4.59m to £3.9m in the 52 weeks *to October 1, 1978.*

In October Mr. John L. C. Pratt, the chairman, warned shareholders that profits for the year would be down on last year's record figure. At the halfway stage the group pre-tax profits showed a rise from £1.03m to £1.79m.

Mr. Pratt, commenting on the year's figures, says sales volume in the second half was adversely affected by several factors.

The poor summer weather, combined with price competition from UK and continental suppliers to reduce sales below expectations.

In addition, a furnace rebuild was postponed from 1977.

He adds that capital investment for the year totalled £9.2m, representing a record for a single year *in the company's history.* The main items of spending were on the new batch plant at Barnsley *and on two furnace rebuilds*—one at the Barnsley factory and the other at the York factory. The opportunity was *taken* to install the latest type of automatic inspection and handling equipment. The company is confident the benefits from the capital expenditure will appear in terms of higher productivity and *improved* quality, says Mr. Pratt.

Trading conditions remain extremely competitive but the *directors believe the company* is in a good position to meet competition successfully. The com*pany, says Mr. Pratt, is confident* about the growth of wide mouth containers in the beverage market, and it has had encouraging results from the launch of these bottles by one of our major customers.

	52 weeks 1977-78 £000	1976-77 £000
Sales	48,045	41,199
Trading profit	4,420	4,807
Interest payable	521	222
Profit before tax	3,899	4,585
Tax	522	135
Profit after tax	3,377	4,450
Extraordinary item	78	80
Dividends	969	649
Retained profit	2,530	3,721

The decision in May of the *Secretary of State on the possible* merger of the company, after a seven-month investigation by the Monopolies Commission, was *in* favour of Redfearn National Glass remaining independent.

As forecast the final dividend is 10.56p net per 25p share (9.291p) making a total of 15.84p against 10.56p. Stated earnings are down from 73.2p to 58.8p.

● comment

The 40 per cent second half profit slump at Redfearn is due to a *drop in sales volume, pressure on* margins from continental imports and a big jump in interest charges. The drop in volume is attributable to furnace reconstruction and *problems* with the Barnsley batch plant plus the very poor summer which hit *sales of soft drinks, a major* market for Redfearn's bottles. The former are probably non-*recurring factors but the latter,* given the company's plans to concentrate on capturing more market *share in the drinks* sector, could increase the dependence on the summer season. The biggest problem is *imports*. The plans to meet the challenge involve lifting volume at the expense of margins so profit growth for the next two to three years will be restricted. The capital investment programme plus a large unplanned jump in stocks increased demand for working capital and borrowings jumped from around 12 per cent of shareholders' funds *in* 1977 to 45 per cent in the latest year. The shares closed at 281p yesterday giving a *yield of 8.7 per cent and* a p/e of 4.6. It would need a bumper summer next year or a major *advance in other market prices* to warrant investment at this level.

RHP finishes £1.3m down

AFTER FALLING from £2.62m to £1.6m at the halfway **Ransome Hoffman Pollard** turned *in* pre-tax profits down from £5.12m to £3.8m in the 52 weeks to September 29, 1978. Sales were ahead from £84.92m to £88.39m.

Mr. John Eccles, *chairman, says* the group is still planning internal growth and is also *looking for expansion through* acquisition. This year group capital spending is likely to be up from *just under £2.2m to possibly* £2.5-£3m. The average in the two years before 1977-78 was £3.3m.

Last year the RHP Bearings' profits went down from £3.4m to £2.1m. The market continued to be intensely competitive and the relatively poor performance of *the UK economy did not help* sales. The fall in home market demand approached 5 per cent, *although market share was held.* But export volume improved despite the stronger pound.

Mr. Eccles commented that he thought the bearings side had reached the bottom of the cycle. He expected exports to continue to increase and he felt the long-term underlying state of the market offered considerable potential.

He hoped the price competition would lessen in a year or two, and they were looking for the *possibility of getting a more satis*factory return.

MTE, however, increased its *sales from £7.1m to £8m* and profits from £1.3m to £1.9m. Mr. Eccles said he expected further growth from this division although he did not see it overtaking bearings as a profit contributor.

Philidas cut its half-time loss of £183,000 to a loss of £145,000 (profit £232,000) for the year, and is expected to continue *in* profit.

The final dividend is 2.85p net per 25p share, making a total of 4.29p, against 3.8422p. Stated basic earnings per share are down from 8.3p to 6.5p, basic or from 7.4p to 6p fully diluted.

Last year's results have been restated for depreciation on freehold buildings. This has reduced pre-tax profits and *reserves for the period* by £326,000.

	1977-78 £000	1976-77 £000
Turnover	88,388	84,915
Profit before interest	4,836	6,373
Interest	1,035	1,255
Profit before tax	3,801	*5,113
Tax	2,293	2,506
Profit after tax	1,508	2,612
Extraordinary credit	—	102
Net profit	1,909	2,414
Dividends	1,213	1,030
Retained	396	1,324

* Restated for depreciation in freehold buildings.

● comment

Just how grim the last year has *been in bearings is shown by the* fact that RHP's successful electrical division accounted for around half of group profits on less than a tenth of sales. But there has been some improvement in the second half: pre-tax profits for the year as a whole were only 26 per cent down on *1976-77* after lagging by 39 per cent at the half-way stage. The company is still look*ing to the export markets*— principally North America—for volume growth in bearings, *although the division that supplies* the UK aerospace division may have better times ahead of it. Margins however, are still very low and are likely to remain so given the present world oversupply. The dismal picture has *at least allowed RHP to reduce* its stock volume and short-term borrowings are down to £3.8m from £5.1m. Any upturn *could* produce a sharp increase in bearings profits but the current year, beginning under the auspices of the Ford strike, shows no special promise. At 65p the shares yield 10.3 per cent (with the dividend increased by the full 10 per cent) *on a diluted fully-taxed multiple* of 10.4.

Brownlee up £87,000 halftime

THE DIRECTORS of **Brownlee and Co.**, timber merchant group, report taxable profits of £405,000 for the 27 weeks ended September 30, 1978, compared with £318,000 for the 26 weeks to September 24, 1977. Turnover was up from £9.59m to £10.83m.

They say that for the first eight weeks of the second half turnover *has been greater than that for* the corresponding period, and margins are showing some improvement. If present conditions prevail, they expect to increase on the 1977-78 trading profit of £553,330. Pre-tax profits for that year were £765,650.

After first half tax of £201,000, against £160,000, earnings are shown as 2.9p (2.2p) per 25p *share. The interim dividend is* increased from 0.5p to 0.6p net and an additional 0.026814p for *1977-78* is also announced on the reduction in ACT—last year's final was 1.76981p.

	Half year 1978 £000	1977 £000
Sales	10,826	9,383
Trading profit	377	1227
Assoc. cos.	72	91
Pre-tax profit	405	312
Tax	201	160
Net profit	204	158

£50,000 was provided for possible future stock losses but released by end of year.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Braithwaite, *H. P. Bulmer*, Deritend Stamping, Guthrie, KCA International, LRC International, London Merchant Securities, Russell Brothers (Paddington), Warnford Investments, Wyndham Engineering.

Finals—Caravans International, Compair, *Dubilier*, *Arthur Lee*, *Saatchi and Saatchi*, Serck, Trans-Oceanic Trust, Whessoe.

FUTURE DATES

Interims—	
Brown and Tawse	Jan. 8
Haslemere Estates	Dec. 14
Henderson-Kenton	*Jan. 16*
Investment Company	Dec. 15
Johnson-Richards (H. & R.) Tiles	Jan. 10
Perbow	Dec. 20
Plysu	Dec. 19
Radiant Metal Finishing	Dec. 20
Finals—	
Bluemel Bros.	*Dec. 22*
Jackson (J. and H. B.)	Dec. 18
Plaxtons (Scarborough)	Dec. 19

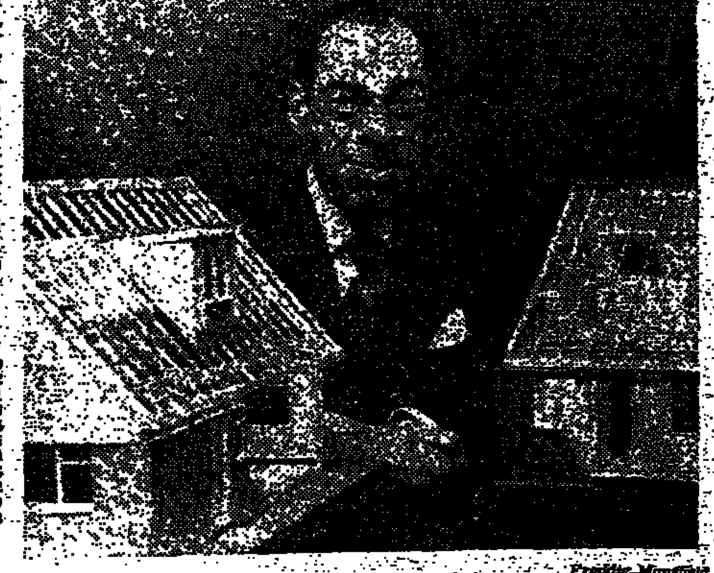
Montague Meyer ahead to £8m at halfway

ON TURNOVER ahead 11.5 per cent *from £121m to £135m* pre-tax profits of **Montague L. Meyer**, timber merchant, rose 6.6 per *cent from £7.47m to £7.96m in the* half-year ended September 30, 1978.

As forecast, the steady upward trend is continuing in the current half-year. For the whole of last year *the group turned in* pre-tax profits of £12.95m on turnover of £247m.

The interim dividend is raised from 1.7p net per 25p share to 2p. Stated earnings are up from 6.8p to 8.2p. Dividends last year totalled 4.673p.

	Half year 1978 £000	1977 £000
Turnover	135,000	121,000
Profit	11,419	10,802
Depreciation	1,458	1,261
Interest payable	2,496	2,438
Trading profit	7,465	6,503
Share of associates	495	565
Profit before tax	7,960	7,478
Taxation	3,290	3,625
Profit after tax	4,670	3,842
Minorities	116	119
Available	4,560	3,728



Freddie Mansfield

Mr. John M. Meyer, chairman of Montague L. Meyer, a leading UK timber group. It has a nationwide network of timber and builders merchants and DIY outlets, and also designs timber-framed houses. The group reports that the upward profit trend is continuing.

● comment

Montague Meyer's first half profits rise of nearly 7 per cent follows a 17 per cent downturn in the previous six months. The recovery, which is much in line with market expectations, re*flects the generally improving* conditions in the timber industry, although there are still some problem areas. The contribution from associates was 12 per cent lower, mainly due to Hallam, the prefabricated building company, while plywood sales are distinctly flat. *In the important* wholesaling business, selling prices were, in fact, slightly lower but sales volume more than matched industry statistics, which show a 7.5 per cent increase in *softwood deliveries* over the period. Prices are now starting to rise and demand should continue to pick up on the strength of DIY activity and increased house renovations. This has helped the door and window subsidiary in particular. Meanwhile increased stocks and debtors have raised borrowings, so interest charges will be considerably higher at the year end. Much will depend on the weather during the second half, but around £16m *pre-tax* looks possible for the full year. At 86p the shares are on a *p/e* of 5.1 (low tax charge) while the yield is 9.2 per cent assuming a 10 per cent increase in the dividend.

Somportex accounting weakness

THE REVISED report and accounts of Somportex, the food distributor, makes a clean breast of what went wrong in the accounting procedure which led to two significant errors in the September accounts and reduced pre tax profits from £237,000 to just over £163,000.

A Board statement accompanying the new document includes the full report from Robson *Rhodes, the accountants called* in to investigate why deferred tax provisions were underestimated and a major creditor's invoice omitted.

Robson Rhodes reports that the primary cause for the ommission of the £79,551 invoice was "*the fundamental weakness* of the system of internal control for the ordering and purchasing of goods." However the firm did not find any evidence of fraud and *merely adds recommenations on* how the system can be approved. This includes the appointment of a qualified accountant reporting directly to the managing director.

Not all the news in the revised accounts is bad, however. Somportex's auditors advised that in the new accounts the company should incdlude significant changes in the figures after the original balance sheet date.

This has led to a revaluation of some slow moving confectionery stocks which had been written down to below cost at the earlier date. Some of that stock has now been sold producing a surplus of £15,332 over the previous figure.

The bulk of this gain has, on the other hand, been wiped out by the £100,000 fee paid to Robson Rhodes.

As a result of the report by Robson Rhodes, the company's auditors, Rothenberg Noble, have decided to resign in the belief that it would be difficult in future for them to maintain an acceptable working relationship with the company. The Board now proposes Spicer and Pegler as auditors.

Yearlings unchanged

The coupon on this week's local authority yearling issues is unchanged at 11¼ per cent. The bonds have been issued at par and are dated December *19, 1979.*

This week's placings are: West *Norfolk District* Council (£1m), Oldham Metropolitan Borough Council (£1m), City of Swansea (£½m), *Corporation of London* (£1m), Tweeddale District Council (£½m), Angus District Council (£½m), *Motherwell District Coun*cil (£1m), Harborough District Council (£0.6m), South Hams District Council (£½m), Mansfield District Council (£½m), Angus District Council (£½m), South Bedfordshire District Council (£½m), Birmingham District Council (£1m), London Borough of Lambeth (£½m) and Bedfordshire County Council (£½m).

Two-year bonds with a coupon of 12¼ per cent dated December 10, 1980, are issued at par by Crewe and Nantwich Borough Council (£½m) and The Three Rivers District Council (£½m).

Beechwood jumps in first half

ON TURNOVER up *by* over a third from £3.64m to £4.91m pre-tax profits of **Beechwood Construction (Holdings)** jumped from £134,522 to £324,537 for the half year ended September 30, 1978. Profit for the previous year had *fallen £88,000 to £312,159.*

An increased interim dividend is announced of 0.5669p (0.5p) net per 10p share, absorbing £34,845 (£30,733), and an additional 0.029p for 1977-78 on the reduction in ACT—last year's final was 1.3p.

Profits for the *first* half were subject to an estimated corporation tax charge of £77,000 (£69,951) and minorities £181,000 (£32,000). The attributable balance came out well ahead at £247,356 against £64,539.

Beechwood is a civil and mechanical engineer.

Movitex expands to £90,000

Movitex, plastic and specialised engineer, lifted taxable profit *from £60,000 to £90,000 for the* six months to August 31, 1978, on sales £0.14m higher at £1.43m. *The directors say that the first*-half improvement has been maintained in the third quarter. Last year the surplus was £0.1m.

Stated earnings per 10p share *for the half year reached* 1.004p (0.892p) after tax of £45,000 (£16,000) and minorities nil *(£4,000).*

Ward & Goldstone advances

PROGRESS WAS attained by Ward and Goldstone, makers of *insulated wires and cables and* electrical and plastics accessories, for the half year to the end of September with pre-tax profit moving ahead from £1,235,000 to £1,401,000. This followed the second half downturn last year which left fulltime surplus lower *at £3.3m, against a record £4.13m.*

Turnover for the first six months was slightly up at £30.58m (£29.29m) and to date it is still marginally higher, the directors say. There has also been a general improvement in productivity and there is a good *general forward order book.*

The net interim dividend is raised to 0.9p (0.866p) per 25p share—last year a final of 3.6718p was paid.

Net profit for the half-year advanced to £672,000 (£593,000) after tax took £729,000 (£642,000).

MIDLAND EDUCATIONAL

Group pre-tax profits of **Midland Educational** rose from £40,000 *to £70,100 in* the half year ended September 30, 1978. In yesterday's report the figures were trans*posed due to an agency error.*

Singlo and Empire

Singlo Holdings and Empire Plantations and Investments wish *to correct any misunderstandings* that may have arisen from an article in yesterday's Financial Times *regarding* Singlo and Empire.

The directors of these companies state that neither Singlo nor Empire have at any time forecast when, in the case of Singlo, its final dividend for the year ended March 31, 1978, and in the case of Empire, its dividend for that year, will be paid. It is not correct to state that either company "have postponed payment of the increased dividends which they forecast in last year."

They also state that Mr. G. A. Whitaker is the chairman of Empire and a director of Singlo. *The secretary of Empire and Singlo* is Mr. R. B. Drummond.

In its last accounts Empire said *that the final dividend for the* year ended March 1977 would be paid at some unspecified date *after April 5, 1978.*

As stated in recent circulars sent out by both Singlo and *Empire, the accounts of both* companies for the year ended Marach 31, 1978, have been de*layed due, solely, to delays in* completing the accounts of their Indian subsidiaries, due to the *process of Indianisation* which, as often stated by both companies, is to be effected from *April 1, 1977.*

This difficult process is nearly *complete, and the directors of* both companies state that they have received a certificate of no-*objection from the Indian tax* authorities for the remittance of 1976-77 profits.

Singlo and Empire state that the AGM's for the year ended March 31, 1978, will be adjourned on December 29, 1978, and will be held as soon as it has been *possible to complete the consoli*dation of the Indian accounts which were recently received in the UK.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Audiotronic ......int.	nil	—	—	—	0.2‖
Beechwood Cons. ......int.	0.37	Feb. 7	0.5	—	1.53‡
T. Borthwick	3.8	Jan. 30	3.8	6.2	6.2
Brownlee ......int.	0.6	Jan. 17	0.5	—	2.3**
Chapman and Co. ......int.	1.63	Feb. 2	1.48	—	3.92
City of Dublin Bank	2.25††	Jan. 11	—	3.25	2.63
Delson and Co.	1.6	—	1.51	1.6	1.51
Dobson Park	2.5	Feb. 28	1.3	4†	2.13
Imperial Cont. Gas ......int.	6	—	4	—	9.89§
J. Latham ......int.	2.95	Jan. 19	2.65	—	7.54
Montague L. Meyer ......int.	2	Jan. 31	1.7	—	4.67
Ransome Hoffman	2.85	Feb. 2	2.4	4.29	3.84
Redfearn Glass	10.56	Feb. 15	9.29	15.84	10.56
Standard Chartered ......int.	8.5	Jan. 26	7.75	—	19.53
Sterling Ind. ......int.	0.38	April 2	0.35	—	1.28‖
Trafalgar House	2.93	Feb. 7	2.62	5.76	5.16
United Spring	1.07	Feb. 9	0.93	1.62	1.45
Ward and Goldstone int.	0.9	—	0.87	—	4.54
W'ton and Dudley	4.37	Jan. 27	4.04	6.37	5.74
Wilson Bros. int.	0.7	April 3	0.65	—	1.4

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes additional 0.029p for 1977/78. § Includes additional 0.088p for 1977/78. ‖ For 61 weeks. ¶ Includes additional 0.0139p ACT payment. ** Includes additional 0.026814p for 1977/78. †† Gross figures.

BIDS and DEALS

Alginate shares jump on U.S. approach

BY MARTIN TAYLOR

SHARES OF Alginate, the British seaweed processing group, jumped 45p to 300p yesterday—valuing the business at £16.4m—on news of a bid approach from Merck Incorporated, the U.S. pharmaceutical group.

It was the second day of busy trading in the shares. On Monday ahead of the bid approach announcement Alginate shares rose 23p to 255p.

The British group manufactures a family of chemicals known as alginates from seaweed. These are used as thickeners for foods and for a wide range of industrial processes such as textile printing and manufacture of dental materials.

Merck, with sales last year of U.S.$1.72bn (£872m) also has interests in the extraction of alginates from seaweed through its Kelco division, as well as its range of pharmaceutical operations.

Last year the U.S. group generated total pre-tax profits of U.S.$454m (£230m)—an increase of 9 per cent over the previous year's U.S.$416m (£211m) pre-tax profit.

By comparison Alginate's pre-tax profits last year fell from £2.98m to £2.78m despite a turnover increase from £15.5m to £16.7m.

In the first half of the current year Alginate's profits fell from £1.76m to £1.15m and the directors warned that full year profits were likely to be substantially lower than last year's £2.78m.

The British group which made its stock market debut in 1973 blamed increased competition and costs plus the effect of an improving pound value — exports account for almost 80 per cent of turnover — for the shortfall.

Meanwhile the Alginate directors are saying no more than a further statement will be made as soon as possible. An important factor in any resulting offer from the U.S. concern will be the position of Moorgate Holdings which controls a 29 per cent stake in Alginate.

CHURCH & CO £1M PURCHASE

Church and Co. announces that it has acquired the capital of Palmer Bros. and Son, Palmer Bros. (Rhos-on-Sea), Palmer Bros. (Norwich) and Palmer Bros. (Properties) for a total of £875,000.

The first three companies are retailers of footwear and Palmer Bros. (Properties) owns properties occupied by those retail companies.

The aggregate purchase price has been satisfied by 100,000 ordinary shares and £310,000 in cash.

As at September 28 the aggregate of the book value of net assets of the Palmer companies was £464,741 and their aggregate net profits (before tax and excluding extraordinary items) totalled £128,996.

The shops are in Wrexham, Bangor, Rhyl, Northwich, Colwyn Bay and Chester. Church and Co. will, as a result, strengthen its retail interests in Chester and extend those interests into areas where it is not currently represented.

The four Palmer companies have been transferred to A. Jones and Sons, the main retail subsidiary of Church and Co., and Mr. Noville W. V. Scott, one of the vendors, has joined the board of A. Jones and Sons.

At a meeting of Church on November 24 it was agreed that an amount of some £1.7m will be transferred from deferred tax to reserves.

NO PROBE INTO KCA DEAL

KCA International (formerly Berry Wiggins) has crossed the last hurdle in its transactions with Mr. Travis Ward, the Texan oil millionaire.

The Monopolies Commission is not going to study Mr. Ward's acquisition of a 24 per cent stake in KCA which was the price of a rescue package involving KCA's oil rigs in Algeria.

Earlier Mr. Ward had been going to make a full bid for KCA but his rescue package was so successful that the company was able to resist the offer on the basis that the price now did not reflect the company's stability.

APPROACH FOR BRIGRAY

A bid approach has been made for Brigray, the troubled knitted jersey fabric manufacturer, and the shares were suspended yesterday at 6½p.

The name of the bidder has not yet emerged.

Brigray has reported losses in all but two of the past seven years and has only paid one dividend since 1972.

The news of the bid approach comes only 48 hours after the company announced net losses of more than £¼m in the year to April after producing pre-tax profits of £164,000 in the previous 15 months.

Turnover too was down to £1.9m from £2.4m.

AUTOMATED SECURITY

Automated Security, through its subsidiaries Modern Automatic Alarms, has purchased the security alarm business of London-based Combat Alarms. The maximum purchase consideration net of pre-paid rentals is £195,000 to be paid in cash, subject to a reduction in respect of those rental agreements which do not meet certain agreed criteria.

Of the total purchase consideration, £128,000 has been paid and the balance will be paid on determination of the final price.

Labroke's Brussels complex let

Ladbroke Group has eliminated its one loss-making overseas property development with the letting of the remaining 198,720 sq feet of its £30m Square De Meeus office complex in Brussels.

In the largest commercial letting of a completed building ever achieved in Belgium, Ladbroke's agents, Jones Lang Wootton, have leased the remaining space to the Commission of the European Communities for nine years. The lease incorporates annual indexation of rents plus a full rent review after six years.

The development, held by Ladbroke's subsidiary London and Leeds Investments (Belgium) SA (in which the National Westminster Bank Pension Fund holds a 22½ per cent stake) was financed by local long term loans. And Ladbroke reports that the European Commission letting, along with the rent from the Belgian Ministry of Justice (which already occupies 378,000 sq feet of offices) will now cover interest costs. Despite the news Ladbroke's shares eased 1p to 183p yesterday.

TKM MOVES OUT OF HIRE PURCHASE

Manufacturers Hanover Group is purchasing three companies from Tozer Kemsley and Millbourn in a deal worth £1m.

Manufacturers is buying TKM Corporation, TKM Leasing and TKM Factors. The latest move effectively takes Tozer Kemsley, an international finance and investment group, out of consumer lending and hire purchase activities and, according to the group, releases funds for the expansion of its other activities.

The three Tozer companies are to be merged into Ocean Acceptances (London), which is the British hire purchase subsidiary of the Manufacturers Hanover Group.

The merged companies will have a network of 18 branches and combined balances of some £25m.

The merged companies conduct hire purchase and leasing of motor vehicles. Ocean Acceptances also provides finance for agricultural machinery and industrial equipment.

Manufacturers Hanover, a major international bank, said yesterday that it is making the acquisition in order to expand its involvement in the British retail instalment credit market.

ROCKWARE EXTENDS IN PLASTICS

Rockware Group is to acquire the capital of Longworth Paper and Plastics through its new subsidiary Alida Packaging Group. The business is based in Manchester and is similar to that of Alida.

Longworth is to be purchased from Dolan Packaging for a price of £400,000 in cash for completion early in 1979.

Cement-Roadstone expands

IRELAND'S LARGEST industrial company, Cement-Roadstone has spent £5m acquiring a 40 per cent stake in Thompson (Garvagh) one of the major companies in the construction industry in Northern Ireland. The deal also gives CR an option to buy the remaining 60 per cent in 1981.

Thompson, which is privately owned, is forecasting profits of not less than £2.25m for the year to the end of May 1979. Cement-Roadstone will be paying Thompson £1.25m in cash for the stake and the remainder will be by way of 3.75m new shares.

Last year Thompson's sales were £39.9m and profits were £2.1m. Net tangible assets were £6.2m.

Cement-Roadstone's option to buy the rest of Thompson is based on a formula related to a multiple of profits. A minimum and maximum price—£6.25m and £10m—has also been set.

METAL BOX/RISDON

MB America Inc. an indirect wholly-owned U.S. subsidiary of Metal Box of the UK announces that its offer to purchase any and all of the outstanding shares of common stock of the Risdon Manufacturing Company has expired. A total of 1,170,476 shares or about 95.5 per cent of the outstanding shares of Risdon common stock had been tendered under the offer.

NCL BUYS BOOK DELIVERY SERVICE

National Carriers is purchasing the Publishers Booksellers Delivery Service, the specialist delivery service for book publishers.

PBDS is owned by Pitman and commands about 70 per cent of the book delivery market in the UK.

UK COMPANY NEWS

IC Gas off £1.6m after Calor losses

HIGHER CAPITAL spending and a £0.36m increase in net interest paid cut into first half taxable earnings at Imperial Continental Gas Association. The surplus for the six months to September 30, 1978, fell from £3.04m to £1.47m on turnover £4.19m better at £67.34m.

The directors, however, stress that, as the bulk of income is in the second half, the midterm figures provide no guidance as to the outcome for the year. Last time profit rose nearly £4m to a record £26.16m after a marginal fall at midyear.

The half-time accounts, prepared on a fully consolidated basis for the first time following recent changes in Belgian legislation, show depreciation provision £0.89m up at £5.49m. This arose because of the heavier capital expenditure which was made in anticipation of second half growth, the directors state.

The net interim dividend per £1 share is stepped up to 6p (4p) and a supplementary 0.088p is to be paid for 1977-78 following the change in basic income tax rate. This takes the total for last year to 9.894p.

The directors say the increased dividend reflects their continuing intention to augment shareholders' income at the earliest permissible opportunity.

Of the advance in turnover for the half-year Calor Gas Holding Company, the group's main UK interest, contributed £3.34m. The remaining £717,000 came from the Belgian subsidiaries' non public utility direct trading activities.

For Calor Gas loss sharply increased from £133,000 to £1.62m after higher depreciation of £4.76m (£3.82m) and interest charges of £1.76m (£1.28m).

Trading profit of £4.9m was slightly lower than last year's first half, which included £400,000 profit on the sale of transport assets in Germany.

Depreciation rose by £0.94m to £4.76m.

Despite the less favourable weather, compared with the same period last year, gas tonnage sold increased in all four of the Calor group's markets, but margins remained under pressure from inflationary cost increases and competition.

An increased loss was expected in the first six months due to the impact of a higher level of fixed costs in a capital intensive and seasonal business.

For the subsidiary of Century Power and Light the value of gas and liquids sold from the Hewett field was slightly down and trading profits at £536,000 were £40,000 lower.

Discussions with the Department of Energy on the development of the Maureen field, have reached an advanced stage.

The results of the direct trading activities of the Belgian Group less administration charges were £202,000 down at £1.3m.

● comment

Imperial Continental Gas is not saying whether it can make up its first half profits setback during the rest of the year, but the company seems quietly confident. The group's Belgian utility interests have been suffering from a slow rate of economic growth in that country, and the generally mild autumn weather has not got the second half off to a good start. On the other hand, the relative strength of the Belgian franc has tended to ease the burden of oil and gas costs. In the first six months, in fact, Belgian profits were only slightly lower and the main explanation for the decline at group level has been the increased loss by Calor Gas. Calor's setback mostly reflects higher depreciation and interest charges. However, after recent capital spending and given favourable conditions the full year's profits could still be higher. So I. C. Gas's shares remain a solid investment at 372p although the prospective yield (assuming a 10 per cent dividend increase rather than the 50 per cent the group would like to pay if allowed) is just 4.5 per cent. This year, incidentally, sees full consolidation of the Belgian interests for the first time.

Board row at Audiotronic

Derek Smith, who has been managing director of Audiotronic Holdings since its formation in 1972 by the merger of Lasky and G. W. Smith, has resigned from the board.

Yesterday Mr Smith said that the Board, which is headed by Mr. Geoffrey Rose, had asked him to resign last October. However there appears to be some disagreement as to when Mr. Smith actually left the company.

The Audiotronic Board says Mr. Smith ceased to be managing director on November 3. Mr. Smith says he left the Board on December 7.

Mr. Smith would not elaborate on why he had left the company, but it is understood that a writ will be served on Audiotronic next Thursday for wrongful dismissal.

Last month it was announced that Mr. Alastair MacGillivray, Audiotronic's finance director had resigned to be replaced by Mr. B. Turner.

Mr. D. J. Sullivan has been appointed group managing director in place of Mr. Smith, and Mr. A. Hopkins, formerly sales manager of Curry's, has been appointed managing director designate of Audiotronic Retail.

In the six months to September 2, 1978, setback overseas with a fall from a pre-tax profit of £197,000 to a loss of £67,000 for Audiotronic Holdings detracted from some improvement in the UK where the deficit was reduced from £216,000 to £114,000. As a result the first half loss deepened to £182,000, compared with £19,000 for the similar period of last year, on sales £2.1m ahead at £15.75m.

In June this year Audiotronic revealed that its venture into the French hi-fi market had proved disastrous—losses finally amounted to £1.7m. At that stage a rescue operation was mounted by Mr. Geoffrey Rose and associates.

Cash was injected into the company by a preference share rights issue and Mr. Rose and his colleagues joined the Board. Similar rescue operations have been made by Mr. Rose for Change Wares and Crellon.

Because of a change of year end the reported first half last time ended June 30, 1977, when there was a loss of £92,000. Despite recovery elsewhere in the second six months an exceptional £1.7m loss at Laskys France pushed the deficit to £1.28m for the 61 weeks to March 4, 1978.

Again there is no interim dividend and the directors propose to consider payment of a final when the full year results are known.

The first six months of the financial year has traditionally been a less active trading period. Some 40 per cent of group turnover and the majority of its profit is derived from trading in the peak selling season, running from December until the end of February, Mr. Rose, the chairman, points out.

While it is too early to give any exact indication of the success of the Christmas and New Year sale trade, for the UK retail division, he is confident of a satisfactory outcome. Currently

After examining the viability of certain retail trading sites it has been decided to close high overhead shops at 481, Oxford Street and Brent Cross Shopping Centre, by January with a profit realised on both closures.

The funds released will enable the group to expand its branch network in smaller more profitable units.

Throughout the difficulties of the past six months the wholesale division continued to trade profitably. Currently all these companies are trading well and Eagle International, the largest, is now trading at record levels.

● comment

Half time figures from Audiotronic are hardly inspiring. In the UK losses are almost halved but as the period covers the quiet time for audio sales it is difficult to ascertain a definite trends. What is of concern is the poor results from overseas. Outside the UK there has been a £264,000 turnround into the red, excluding the disastrous involvement in France, which made a £1.7m loss last year. Evidently demand in Belgium and Holland has been particularly weak. At home Audiotronic is trying to slim down its retail division—cutting out some of the prestige stores such as Oxford Street and Brent Cross—but how effective and how quickly the retrenching will start to show through in the profit and loss account is another matter. With consumer spending moving ahead the Christmas selling season should be good news but Audiotronic do not appear to be out of the woods yet. The shares eased 1p to 18p yesterday where the market capitalisation of the ordinary shares is £2.1m.

Record for City of Dublin Bk.

A 74 PER CENT increase in pre-tax profit from £426,402 to a record £742,482 for the year to September 30, 1978 was announced by City of Dublin Bank.

Gross income for the year increased 32 per cent to £3.62m, against £2.73m.

Mr. Thomas Kenny, chairman, says the bank will continue its progress but not at the rate of the last 12 months.

The final dividend of 2.25p gross increased the total by almost 24 per cent from 2.625p to 3.25p, which is almost double the increase forecast at the time of the one-for-four rights issue in June. Stated earnings per share rose from 3.17p to 5.33p.

The pre-tax profit was arrived at after deducting expenses of £1.24m (£760,971) and interest of £1.7m (£1.39m), and including share of the profit of associated companies up from £71,119, against £47,813.

Retained profit is up from £404,400 to £657,315.

Earnings rise for African Oxygen

African Oxygen, the 60 per cent-owned South African subsidiary of BOC International, has reported higher earnings for the year to September 30, 1978, despite a first-time inflation accounting presentation of results.

On turnover of R134.6m (R132.3m), inflation adjusted attributable earnings rose to R10.0m from R9.4m calculated on an historic cost basis in 1976-77.

The underlying figures point to ever increasing provisions for depreciation and replacement of equipment as costs continue their upward trend.

Historical attributable profit of R11.5m was struck after a R5.0m depreciation charge. On an inflation-accounted basis, the group has deducted a further R1.9m in depreciation.

Mr. Beau Sutherland, the chairman, makes the point that adjusted for inflation the group's real rate of tax ran at 45.4 per cent, indicating that tax is being paid on profits not actually earned. The company's two main operating divisions, industrial gases (turnover R79.5m) and mining and railway equipment (turnover R53.1m) are both capital intensive, and ever-rising equipment costs mean relatively high profit retentions.

South Africa's stagnating economy has led to little or no growth in demand for industrial gases, and the group expects this to persist during the current year. The same applies to mining and railway equipment but coal mining equipment continues to perform well and considerable investment in local manufacturing capacity is expected to bear fruit in 1978-79.

At 270 cents on a dividend yield of 6.5 per cent, the shares rank among the blue chips of South African industrial companies. The current year should see further earnings growth even on an inflation-accounted basis, with the possibility of major improvement in 1980.

MINING NEWS

Cautious line by Gold Fields

BY KENNETH MARSTON, MINING EDITOR

A LONE star in an otherwise disappointing batch of December dividends from the South African gold mines in the Consolidated Gold Fields group is East Driefontein with a much better than expected final of 75 cents (43.8p). Following a modestly increased interim of 40 cents it brings the high grade producer's 1978 total to 115 cents against 78 cents for the previous year.

The humble Vlakfontein is declaring a final dividend for 1978 of 10 cents. There was no interim, but the mine made a capital repayment of 10 cents in August and hopes to make a further repayment when the audited accounts for the year become available.

The other dividends announced are interims for the year to next June and all are well below expectations. Doornfontein's interim of only 20 cents is particularly disappointing against hopes of 45 cents.

Kloof's payment of 30 cents goes against estimates ranging up to 46 cents while West Driefontein's 200 cents compares with some estimates of 300 cents. Libanon's 50 cents is some 20 cents below hopes while Venterspost is paying 15 cents against an expected 20 cents.

The moral of the story appears to be that the Gold Fields group mines are tending to lay more stress on the interim and final nature of their dividends whereas market observers have tended to regard them more as half-yearly payments related to current earnings levels.

Thus East Driefontein's interim dividend in June was looked upon as disappointing, but the company was saving the major increase for the final payment now announced. In the cases of the other mines their cautious attitude in regard to the latest interims has no doubt been prompted by the uncertainties overhanging the current level of bullion prices.

The latest payments are summarised in the following table.

	Dec., 1978 cents	June, 1978 cents	Dec., 1977 cents	June 1977 cents
Doornfontein	*20	30	*20	10
East Drie.	75	*40	43	*35
Kloof	*30	25	*15	15
Libanon	*50	60	*40	40
Venterspost	*15	20	*5	5
Vlakfontein	10	Nil	15	*10
W. Driefontein	*200	250	*135	145

* Interim.

GEEVOR TIN TO PAY MORE

Cornwall's Geevor Tin Mines reports a pre-tax profit for the half-year to September 30 of £600,000 compared with £604,000 in the same period of last year. On the latest occasion, however, there is a reduced tax charge which leaves a net profit of £480,000 against £369,000 a year ago.

Declaring an increased interim of 2.68p net, which compares with the equivalent of 2.1p a year ago after adjusting for the three-for-one scrip issue, Geevor says that it expects to pay a total dividend for the full year to next March of not less than 5.57358p. This would be the maximum permitted under UK legislation and would compare with the adjusted total of 5.035p for 1977-78. As already reported, Geevor is looking for other mining possibilities in Cornwall and plans to re-treat the material from old mine dumps. The shares were 165p yesterday.

INCOME DROPS AT AMAL. TIN

Net income at Amalgamated Tin Mines of Nigeria (Holdings) of London slipped to £131,000 in the six months to September from £162,000 in the same period of 1977. Earnings in the full year to last March were £371,000.

The company's former operating subsidiary is now 60 per cent owned by Nigerian interests, primarily the state-owned Nigerian Mining Corporation. The greater part of the London company's income comes from its remaining share in the equity of this operating company, now an associate.

Amal. Tin's share of the associate's profits in the most recent half was £234,000, or £34,000 less than in the same half of 1977. The slippage is probably explained by the lower level of production—886 tonnes of concentrates in this year's first half compared with 1,003 tonnes in the same period last year. Certainly prices would have been more favourable to the operating company in the most recent period.

The London company has not declared an interim dividend, but stated that dividends declared by the associate before the end of March this year, but received in London during October, amounted to £199,757. Further, a sum of £225,532, representing half of the proceeds from the sale of 20 per cent of the equity in the operating company, has now arrived in London. The balance is awaited.

Yesterday Amal. Tin shares were 23p.

ROUND-UP

Kelvin Energy, the originating company and now a joint participant in the promising Keefe-Henday Lake uranium prospect in Saskatchewan, has derived C$1.4m (£601,250) from the placing of 500,000 shares, each of C$3.0, with 700 investors. The company plans to apply for a listing on the Alberta Stock Exchange in Calgary.

* * *

Information filed with the Ontario Securities Commission shows that Denison Mines and Roman Corporation have continued to acquire shares in each other. Denison's holding in Roman has been built up to 12.7 per cent, while Roman purchases have led to it holding 32 per cent of Denison.

* * *

Directors at Orchan Mines are recommending acceptance of the proposed amalgamation with Noranda Mines on the basis of one Noranda share for every six in Orchan. The Orchan directors are recommending an additional dividend for their shareholders of 15 cents (6.44p) a share on top of a payment of 10 cents due today.

GOPENG STILL DOING WELL

After reaching its highest monthly tin concentrate output for two years in October, Gopeng's November production has remained at a high level of 163¼ tonnes. This makes a total of 328¾ tonnes for the first two months of the current financial year compared with 267¾ tonnes a year ago.

Tanjong's 11-month total comes out at 172¼ tonnes against 217¼ tonnes while that of Idris for the same period is 196 tonnes against 280¾ tonnes. Pengkalen's production for the first four months of its current financial year amounts to 508 tonnes against 625 tonnes in the same period of last year.

	Nov. tonnes	Oct. tonnes	Sept tonnes
Gopeng	163¼	165½	162
Tanjong	14½	12	6½
Idris	18½	19	18½
Pengkalen	74	84	74

MINING BRIEFS

KILLINGHALL TIN—Output of concentrates for November 41½ tonnes (October 35½ tonnes).

MALAYSIAN MINING CORPORATION November production:

	Nov. tonnes	Oct tonnes	Sept tonnes
Aokam	144	129	120
Ayer Hitam	193	201	126
Berjuntai	287	317	374
Kamunting	40	39	31
Kramat	34	32	27
Kuala Kampar	18	22	25
Lower Perak	27	30	28
Malayan	241	288	241
Sthn. Kinta Cons.	158	145	150
Southern Malayan	216	210	196
Sungei Besi	230	221	174
Tongkah Harbour	26	39	42
Tronoh Mines	205	219	191

ANGLO AMERICAN CORPORATION—Coal division sales output for November (figures in metric tonnes). Republic of South Africa: Bituminous: Amalgamated (Cornelia) 305,421; Anglo Power (Arnot) 468,348, (Kriel) 431,162; Bleshok 17,317; Coronation (Bank) 186,527; New Largo 97,911; S.A. Coal Ests. 274,020; Springbok 175,159; Springfield 377,506; Vryheid (coal) 25,361, (coke) 42,356. Other collieries: Vierfontein 118,362; Zululand Natal's (Indumeni Colliery) 31,149. Anthracite: Balgray 31,490; Natal Anthracite 51,930. Rhodesia: Wankie (coal) 175,665, (coke) 13,180. Swaziland: Swaziland Collieries Mpaka Mine 24,802. Botswana: Morupule 27,886. Group total 2,774,944.

AMALGAMATED TIN MINES OF NIGERIA (HOLDINGS)—October: Tin concentrates 145 tonnes (Sept. 183 tonnes), columbite concentrates 18 tonnes (Sept. 22 tonnes).

SAINT PIRAN—November production of tin concentrates: UK 185 tonnes (70 per cent tin metal), Malaysia 16 tonnes, Thailand 85 tonnes. (Respective totals for October 280 tonnes, 25 tonnes, 98 tonnes.)

PETALING TIN—November output of tin concentrates 121½ tonnes (Oct. 131½ tonnes).

CONZINC RIOTINTO MALAYSIA—Sri Timah production for November 118.81 tonnes (October 81.5 tonnes).

BEECHAM RIGHTS

The £82.5m rights issue by Beecham has been taken up by shareholders as to 89.26 per cent.

Those shares not taken up have been sold, and the net proceeds, amounting to 68.48p per share, will be distributed to entitled shareholders.

PLACER TAKES A STAKE IN SAM GOOSLY

Placer Development of Vancouver has bought from Kennecott Copper, the U.S. mining major, a 30 per cent net profits interest in the Sam Goosly silver-gold-copper property for C$5.1m (£2.19m). Sam Goosly is near Houston in British Columbia, writes John Soganich from Toronto.

This arrangement follows an earlier deal in which Placer agreed with Equity Mining to acquire a 70 per cent interest in a new company to be formed for the management of the property, with Equity holding the remaining 30 per cent.

Placer is conducting a feasibility study of Sam Goosly. This is due for completion early next year, when a decision will be made about putting the property into production.

Mineable reserves at the deposit, according to a preliminary Placer calculation are 19m tons, grading 125 grammes of silver and 1.1 grammes of gold per ton, with 0.44 per cent copper. Equity Mining had estimated the geological reserves at 39m tons, grading 97 grammes silver, 97 grammes gold and 0.33 per cent copper.

In the event of production at Sam Goosly, Placer would have the responsibility for finance, construction and operation.

TECK BUILDS UP B.C. RESERVES

Teck Corporation, the diversified Vancouver group, is purchasing from Hecla Mining of the U.S. a majority interest in the Schaft Creek copper-molybdenum-gold property in the Stikine area of British Columbia for U.S.$3.1m (£1.56m). Hecla retains a right to 5 per cent of net profits from future development.

Schaft Creek is amenable to opencast mining with ore reserves estimated at 350m tons, grading 0.39 per cent copper, 0.036 per cent molybdenum and what Teck classifies as "significant gold values."

While Teck feels that Schaft Creek is unlikely to displace other projects it has in mind, Dr. Norman Keevil, the group president stated that the deposit could develop into Teck's "most important mine in the future."

Hecla has presumably been forced to sell as part of a scheme to unscramble its tattered finances in the wake of the failure of its Lakeshore copper mine in Arizona.

Dr. Keevil stated that Schaft Creek represented an important addition to Teck's inventory of resources. Teck already holds more than 50 per cent of Highmont Mining which has copper-molybdenum deposits in the Highland Valley area of British Columbia.

One of these deposits has reserves of 145m tons, averaging 0.27 per cent copper and 0.047 per cent molybdenum, while the other has 48m tons averaging 0.27 per cent copper and 0.04 per cent molybdenum.

NORTH AMERICAN NEWS

Sweeteners added to Simpsons merger bid

BY ROBERT GIBBENS

MONTREAL — Simpsons, the Toronto-based national department store chain, and its associate, Simpson-Sears, owned jointly with Sears Roebuck of the U.S., are fighting the bid by Hudson's Bay Company for Simpsons with a better offer.

In the autumn, Simpsons proposed a merger with Simpsons-Sears which would make a national chain of department stores and catalogue sales offices with annual sales of nearly C$3bn. The basis was a share-for-share exchange, and Simpsons-Sears would have been the continuing company. Sears Roebuck of Chicago would own about one third of the merged group.

A few weeks later, the Bay moved in with a counter proposal, bidding for all the stock of Simpsons, and offering if necessary to dispose of Simpsons-Sears if the bid succeeded. The value of the Bay bid was C$8.27 per share of Simpsons in cash and stock.

Today Simpsons said that under its new plan, shareholders would get one Simpsons-Sears share as before, but also one 8 per cent preferred share of Simpsons-Sears with nominal value of C$1.25. The offer applies to holders of both Simpsons common and Simpsons A shares.

However, because a merger under the new terms would still include a major stock holding by Sears Roebuck in the enlarged group, the deal would have to be approved by the Foreign Investment Review Agency in Ottawa.

Simpsons said it is hopeful of FIRA approval. If approval is not given, it warned, the Bay offer will almost certainly be accepted and Simpsons shareholders will be denied the better alternative available under the amended offer.

Simpsons also proposed changes in the method under which its merger with Simpsons-Sears would be carried out, and meetings of shareholders of each company scheduled this Friday have been adjourned until some time in January.

Based on the going price for Simpsons-Sears shares in the market, the value of the new merger terms appears to be only slightly better than the Bay bid.

Simpsons and Simpsons-Sears claimed that acceptance of the Bay offer could result in a reduction of the rates of expansion of both businesses and in the growth of their sales and earnings.

The board of Simpsons said that it unanimously recommends the amended merger terms, and advises shareholders that they should not deposit their shares under the Bay offer if Foreign Investment Review Agency approval is given.

Santa Fe Industries expansion

CHICAGO — The chairman and chief executive of Santa Fe Industries, Mr. John S. Reed, disclosed in an interview that the company has budgeted for a $477m capital expenditure programme in 1979, up 40 per cent from the $340m it expects to spend on corporate improvements this year. About $300m will go to rebuild lines and replace and refurbish equipment on the railroad.

The railroad will begin in early 1979 a new piggyback service to haul produce from the West Coast to eastern cities. Perishable commodities will move in shipper-owned refrigerated containers. The new service will bring additional revenues and reduce railroad costs by providing needed return-trip freight for its piggyback trains which transport goods west.

The company also expects to begin construction next year on its Start Lake railroad. The 100 mile branch line will haul coal to utilities near Gallup, New Mexico. The utilities have agreed to finance construction of the line. Building activities have been delayed for three years pending approval of an environmental impact statement.

"We're expecting the red tape will clear next year and we could have the first 34 mile portion of the line operating by the end of 1980," Reed said. Santa Fe's coal traffic has been increasing from 5m tons in 1977 to a projected 18m tons next year. When the Start Lake line is completed in the mid-1980s,

Santa Fe expects its petroleum division's earnings to pick up in 1979: "This year represents the low point of a three-year sag." The petroleum division had peak pre-tax earnings of $82.3m in 1975.

Federal and state pricing and environmental controls "seem to be relaxing a bit and we're beginning to see a better return on petroleum prices." AP-DJ

Martin Marietta lifts spending

BETHESDA — Martin Marietta Corporation, while acknowledging overall business caution about capital spending, has decided that 1979 is not the time to slow its growth.

Operating from a strong cash position and projecting record sales and earnings for 1978, Martin Marietta has authorised a capital expenditure budget of $280m for 1979, the highest in its history, J. Donald Rauth, the chairman and chief executive, said in an interview. The previous high was $213m budgeted for this year.

"We're out of sync a little," Mr. Rauth said, noting a Commerce Department survey last week which suggested businessmen are adopting a cautious attitude regarding new plant and equipment spending for the new year. But he stressed that the nature of Martin Marietta's business requires it to base investment decisions more on long-range prospects.

"We don't tend to swing on what the outlook is for next year. We've got to bet on the total national economy over the long haul."

Martin Marietta's basic businesses are aluminium, aerospace, specialty chemicals and cement. It expects 1978 net income to total about $130m to $135m or about $5.30 or $5.40 a share, up about $1 a share from 1977 when the company reported net of $102m or $4.29 a share computed on nearly 1m fewer average shares. Sales this year should increase to more than $1.7bn from $1.44bn, Mr. Rauth said.

Based on results for the first nine months of this year when Martin Marietta reported net of $99.4m or $4.10 a share on sales of $1.25bn, Rauth's projections indicate a fourth-quarter net of between $30.6m and $35.6m or $1.20 to $1.30 a share, up from year-earlier fourth-quarter net of $21.5m or 90 cents a share. Indicated fourth-quarter sales are expected to rise to more than $450m from $391.8m. AP-DJ

Exchange losses hit Seagram's earnings

By Terry Byland

RESULTS for the first quarter from Seagram, the world's largest whisky distiller, suggest that foreign exchange losses and related tax effects have upset management forecasts.

Total net for the quarter has risen by 3.2 per cent to U.S.$29m or 83 cents a share, against 80 cents a share last time. Sales jumped by 15.7 per cent to $697m.

But the company adds that the net figure includes $5.2m of foreign exchange and tax related losses against similar losses of $1.6m last time.

Adding back these figures would show a net figure with a 15 per cent rise. This would add teeth to predictions by the president, Mr. Philip Beekman to last month's annual meeting, that first quarter net would rise by more than 10 per cent.

Last year, Seagram, whose headquarters are in Montreal, earned $90.6m or $2.58 a share, compared with $87.1m or $2.48 last time.

Currency losses have been a significant factor in Seagram's results and the setback in the U.S. dollar has been particularly unfortunate since the company's international operations are becoming increasingly important to the group's results.

Seagram has the largest wines and spirits business in the world, including control over nine distilleries in Scotland. Its current pricing policies, which is to raise prices by some 5 to 6 per cent over the past financial year, have been described by a leading UK stockbroker as crucial to world prospects for Scotch whisky.

Tax plea fails

The U.S. Supreme Court has rejected a request by Pacific Telephone and Telegraph to review a 1977 California Public Utilities Commission order involving taxes, Agencies report from San Francisco. If the Commission's order goes into effect, Pacific Telephone could be in violation of federal tax laws and subject to a back tax bill of nearly $1bn.

Holiday Inns pact

Holiday Inns has agreed in principle to acquire for 2m share of its stock a privately held restaurant chain with headquarters in Minneapolis called Perkins' Cake Steak Incorporated, AP-DJ reports from Memphis.

INTERNATIONAL CAPITAL MARKETS

Terms of Carter bonds cheer German bankers

BY FRANCIS GHILES AND JONATHAN CARR

GERMAN BANKERS reacted favourably when the terms of the first ever D-Mark denominated U.S. Treasury notes — the so called Carter bonds — were announced yesterday. The DM 2.5bn to DM 3bn ($1.3bn to $1.56bn) issue will be divided into two tranches, one of three years, the other of four years minus one day. The exact amount of the whole issue, and indeed of each tranche, will be determined by the Bundesbank tomorrow, when the subscriptions are reviewed.

The yield on the shorter dated tranche, which is 5.95 per cent, is at the top end of yields offered on German domestic bonds of similar maturity (essentially for Landesbanks and government agencies), which fluctuates between 5.85 and 5.95 per cent. The yield on the longer dated tranche is 6.20 per cent, which is in the middle of yields offered on German domestic bonds of similar maturity, which fluctuate between 6.15 and 6.25 per cent.

The maturity of the longer tranche, four years minus one day, has been chosen in order to avoid any foreigners buying the bonds; foreigners are precluded from purchasing German domestic bonds whose maturity or remaining life is less than four years.

The West German monetary authorities, however, have somewhat mixed feelings about the "Carter bonds."

Strong support for the principle according to which the U.S. is now acting to finance its balance of payments deficit is mingled with some concern lest the West German capital market be overstrained. Both the Bonn government and the Bundesbank have long held the view that the U.S. should act as other countries with balance of payments problems have done, namely by raising foreign currency loans.

The inflationary danger of the method used hitherto, under which central banks were ready (some of them eager) to take up even greater quantities of dollars was recognised only too well.

Thus when Carter bonds figured in the package to help stabilise the dollar announced at the start of November, West German authorities could not but express pleasure and relief.

On the other hand, it was clear that a large slice of the total would be raised on the German capital market—and therefore some competition between the U.S. and West German public sector borrowers could not be ruled out.

This year the German public sector has financed its deficit cautiously and flexibly, fully aware of the serious impact rising interest rates would make on a far from assured economic upswing.

As the year went on, Germany's economic performance improved, tax revenue increased and the public sector deficit—which was still estimated at mid-year to be more than DM50bn for the whole of 1978—is now likely to turn out to be less than DM45bn. For next year, the deficit of DM60bn once expected is now likely to be much less—provided, and this is the key, that no new factors emerge to undercut the economic upturn.

One of those could be capital market difficulties, caused both by the long recognised danger of a competition for funds between the public and the private sectors, and by the strain imposed by new U.S. borrowing.

What is now known of the first tranche of the DM-denominated issue has helped calm some of these fears. The helpful factors include the relatively modest total of not more than DM 3bn, the maturity of not more than four years—and the steps taken to make sure non-West German residents do not buy (a step which would have weakened the dollar, strengthened the Deutsche-Mark and undercut the basic purpose of the whole operation).

But the question has been raised of how long the German capital market must reckon with the new U.S. borrowing factor. The answer given is—until the U.S. balance of payments is tided over its bad period, a time-span few are willing to try to define.

Yugoslavia in plan to reschedule foreign debt

By Aleksandr Lebl and Anthony Robinson

YUGOSLAVIA is now considering joining the long list of borrowers seeking to restructure part of existing debt in order to take advantage of lower margins and improve its repayment profile, according to Mr. Peter Kostic, the Federal Secretary of Finance.

The average maturity of existing debt is currently five years and seven months, and part of this was contracted in 1975 and 1976, when the economy was in trouble, and the terms payable reflected this.

Total foreign debt amounted to $10.8bn at mid-year, with supplier credits accounting for approximately 60 per cent of the total. Debt servicing amounts to 17 per cent of foreign exchange earnings, or 23 per cent on the alternative calculation which omits workers' remittances and calculates servicing against hard currency earnings only.

Reserves are currently at a record level of $3.2bn, and the monetary authorities imposed credit restrictions in July in an attempt to reduce inflation from its current 15 per cent and slow down both the rate of investment and the imports which this attracts.

President Tito recently spoke out against higher foreign borrowing which could harm the country's credit worthiness, but new borrowing is continuing within limits laid down in the five year plan and monitored by the National Bank.

Four Yugoslav banks raised $70m from two Kuwaiti institutions in September at 1¼ per cent over Libor for the first three years and 1⅛ per cent for the last four years. But a further trimming to 1 per cent is now expected on a $500m plus loan package now being put together for the INA-Dow Chemical joint venture on the island of Krk.

This is being put together by Manufacturers Hanover, who are the financial co-ordinators of what now looks like emerging as a $250m to $300m ten-year Eurodollar syndicated loan.

Manufacturers Hanover report considerable interest from banks, and the Eurodollar part of the package is now at an advanced state of negotiation. Completion of the deal, however, is linked to the finalising of the export credit arrangements, and this is not expected until fairly early in the new year.

Loan to finance U.S. acquisition

BY JOHN EVANS

INTERNATIONAL SERVICE System A/S, a Danish service company, has completed arrangements for raising an $18m multi-currency loan from a banking group managed by Privatbanken.

The proceeds of the Euromarket financing will mainly be used for the company's acquisition of a substantial part of the shares in Prudential Building Maintenance Corporation, of New York.

Maturity is seven years, with a spread of 1 per cent over interbank rates.

In Spain, Aviacion y Comercio SA (Aviaco) has raised $28.5m in the medium-term markets to help finance the purchase of four McDonnell-Douglas DC-9 aircraft. The U.S. Export-Import Bank is also providing funds to finance the purchases.

The Euromarket credit, arranged by United International Bank, has been arranged in two parts. A six year facility will have a split rate of ⅞ and ¾ per cent for $19m.

A seven-year loan is priced at ⅞ per cent for $9.5m.

Banco de Vizcaya, Madrid is lead manager for a $35m two-year loan to Corporation Venezolana de Fomento, the Venezuelan development fund.

Spread is ⅞ per cent, while other banks participating in the facility are Banque Arabe et Internationale d'Investissement, Bayerische Landesbank, Deutsche Bank Group and Bank of Montreal International.

National Bank of Abu Dhabi has arranged a $10m five-year credit for Brazil's Banco Crefisul de Investimento SA at a spread of 1⅞ per cent.

Canadian American Bank and Scandinavian Bank also provided funds.

A $12.5m loan has been arranged for Piraiki-Patraiki Cotton Manufacturing, one of Greece's largest private-sector companies, by a group of banks led by Bankers Trust International and Manufacturers Hanover Ltd.

The seven-year facility, at a spread of 1⅞ per cent, will be used for the company's investment programme.

Among other completed credits, the Qatar Petrochemical company (QAPCO) has signed the loan agreement for a $175m borrowing.

Bangor Punta sees quarterly profits drop

PHILADELPHIA — Bangor Punta, the leisure, security and farming conglomerate, expects its earnings for the first quarter ending December 31 to be "down slightly" from the quarterly net figure of $7.4m, or $1.55 a share on a primary basis, earned a year ago.

After a meeting of the Philadelphia Securities Association, Mr. David Wallace, the chairman and president, said the first quarter earnings decline was not, however, expected to change the company's previously announced projection of $26.3m, or $5.20 a share, for fiscal 1979.

Mr. Wallace said that the principal reason for the expected decline in first quarter earnings was the poor cotton crop in California, which is adversely affecting earnings for Producers Cotton Oil, a subsidiary.

He said that sales of Bangor Punta for the first quarter were expected to be "about on the same level" as the year-ago figure of $158.3m.

In fiscal 1978, the company earned $24m, or $4.89 a share, on sales of $656.1m.

Mr. Wallace said that sales of the company's Piper Aircraft unit should be about $400m this year, up from $336.7m in fiscal 1978.

Agencies.

Good year for Fluor

By Our Financial Staff

NET EARNINGS for the Fluor Corporation for the fiscal year ended October 31 edged forward to $78.35m from $75.46m for the corresponding period. This represented improved earnings of $4.63 per share compared with $4.48.

Revenue for the year was $2.87bn, a substantial improvement over last year's $2bn figure.

Curtiss-Wright wins ruling

By Stewart Fleming

NEW YORK—The Board of Kennecott Copper will face re-election at a special shareholders' meeting on January 29 following a decision by U.S. district judge voiding the election of directors at the annual meeting on May 2 of this year.

The decision represents a victory for Curtiss-Wright, which is waging a proxy battle for control of Kennecott. It narrowly failed to secure a victory in the battle at the annual meeting in May. Subsequently, however it has succeeded in the courts in securing a re-run of the proxy vote.

The judge in making his decision, has turned down a series of requests from Curtiss-Wright, including one that it be permitted to retain and vote in the new election the proxies it received during last spring's contest.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on December 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aga Akt. 9½ 88	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 8.45 83	175	97	[illegible]	0	[illegible]	[illegible]
Australia 9½ 93	75	[illegible]	[illegible]	0	[illegible]	[illegible]
Beatrice Foods 7⅞ 83	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 8½ 87	50	[illegible]	[illegible]	0	[illegible]	[illegible]
CECA 9 93	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 9½ 98	25	99	[illegible]	[illegible]	[illegible]	[illegible]
CNT 9 93	75	96	[illegible]	[illegible]	[illegible]	[illegible]
Canada 8 83	250	[illegible]	[illegible]	0	[illegible]	[illegible]
Canada 8.20 85	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 8½ 98	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 83	400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9½ 98	350	[illegible]	[illegible]	[illegible]	0	[illegible]
Canadair 9½ 83	70	96	[illegible]	[illegible]	[illegible]	[illegible]
Dominion Bridge Co. 9 86	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9½ 98	125	[illegible]	[illegible]	0	[illegible]	[illegible]
Eksportfinans 9 86	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 8½ 83	100	97	[illegible]	[illegible]	[illegible]	[illegible]
Finland 9 88	100	[illegible]	[illegible]	0	[illegible]	[illegible]
Hospital O/S 9 83	25	[illegible]	[illegible]	0	[illegible]	[illegible]
Itel Finance 9½ 88	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Itel Finance 9½ 90	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
J. C. Penney 8½ 83	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mac Bloedel 9½ 93	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NZ Dev. Fin. 8½ 83	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NZ Dev. Fin. 8½ 85	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. 9 86	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 9½ 90	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nord Inv. Bk 8½ 85	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Komm. 9½ 98	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 7½ 83	250	[illegible]	94	[illegible]	[illegible]	[illegible]
Norway 8½ 83	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Occidental 8½ 85	75	[illegible]	[illegible]	0	[illegible]	[illegible]
Ont. Hydro 8½ 85	125	95	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 9½ 93	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 9½ 98	125	[illegible]	[illegible]	0	[illegible]	[illegible]
UK 8½ 88	200	[illegible]	[illegible]	0	[illegible]	[illegible]
UK 8½ 93	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

SWISS FRANC STRAIGHTS

YEN STRAIGHTS

OTHER STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

هكذا من الأصل

OCCIDENTAL PETROLEUM—MEAD CORPORATION

A lot more mud yet to be slung

BY DAVID LASCELLES IN NEW YORK

ON AUGUST 11, Occidental Petroleum, the 13th largest U.S. oil company, launched one of the biggest takeover bids seen this year—a $1bn offer for Mead Corporation, the Ohio forest products company.

Exactly four months and a bitter mud-slinging battle later, the deal has still not gone through, and many people are beginning to wonder whether it ever will.

One reason for the delay is that the battle has become something of a test case in U.S. anti-trust law, and whatever the outcome, one side or the other will hail it as a precedent. Another is that the Mead management resistance to the bid has reached the point where questions are being asked about its motives.

Oxy's aims in this bid are twofold. First, like most other oil companies, Oxy wants to diversify into other natural resources, and forestry is a good choice because trees have the useful habit of reproducing themselves—unlike minerals. Second, Oxy has insufficient U.S. income to make full use of its U.S. tax credits, so it needs a stronger domestic earnings base to offset its large income from abroad, which includes North Sea oil revenue.

But Mead opposed the bid from the very start for reasons which multiplied as time went by. First, it was the inadequacy of Oxy's offer, then anti-trust factors, then Oxy's frequent appearance in the law courts, and finally Chairman Armand Hammer's criminal conviction in 1976 for making illegal political contributions. Resorting to the courts Mead filed a suit charging that the takeover violated securities and anti-trust laws.

Mead was soon joined in its opposition by the anti-trust division of the Justice Department, an aggressive government agency which is currently taking a close interest in the anti-trust implications of the oil industry's attempts to diversify.

The Justice Department initially filed a suit similar to Mead's, claiming that an Oxy merger would violate anti-trust laws because the two companies had overlapping interests in sodium chlorate, coking coal and carbonless copying paper. But in a highly significant addition Justice later filed an extra suit based on its controversial "deep pockets" theory. This says that Oxy, by virtue of its size and wealth, has the power to transform Mead into a company which would dominate the market for coated paper.

This theory has been widely criticised as akin to the "big is bad" objection to takeovers which reduced to its crudest terms, holds that large companies should be prevented from merging, even if their interests do not overlap, because their combined size will itself become a factor in the market place.

As one Justice Department Lawyer put "it is concern for sheer economic power."

Oxy tried to invalidate the anti-trust accusations by offering to divest itself of overlapping activities. But this did not abate the Justice Department's zeal, which led observers to conclude that it was less interested in blocking the merger for "monopoly" than for "deep pocket" reasons.

Because of the complexity of the suit, both Mead and the Justice Department are asking the court to grant a temporary injunction preventing the merger from going ahead until the anti-trust charges have been heard.

Among other things, the two plaintiffs are concerned that if Oxy does win control of Mead, it will dismember the company, making it virtually impossible to reverse the merger if the judge later declares it to be illegal. So far, the judge has only granted a temporary restraining order (a lesser form of injunction) which prevents Oxy from pursuing the takeover until the end of this month.

But he was careful to add "this order is not intended to be an expression upon the merits of this matter."

And well he might, because the "deep pockets" theory has not yet been tested in a major takeover—which is why the outcome of the case could be so significant. If Oxy wins, it will narrow the grounds for contesting mergers:

Dr. Armand Hammer

The argument was that Occidental, through its size and wealth, had the capacity to transform Mead into a company which would dominate the market for coated paper. The "deep pockets" theory has not yet been tested in a major takeover—which is why the outcome of the case could be so significant. If Oxy wins, it will narrow the grounds for contesting mergers; if it loses, the notion of anti-trust will have been greatly broadened.

if it loses, the notion of anti-trust will have been greatly broadened.

So deeply embattled are the two sides, however, that the likelihood of Oxy winning anything other than a pyrrhic victory seems to be growing. Certainly, this is the view of the arbitrageurs who have been gambling with Mead shares. At the height of the excitement, Mead shares rose to $34, virtually matching the $35 at which the Oxy bid was valued (though Oxy itself has refrained from putting a tag on the deal, which it intends to finance by an exchange of shares). Since then, they have slithered down to $26, reflecting Wall Street's mounting disenchantment.

As one analyst remarked: "They're all beginning to chicken out now."

The downward slide was helped a further $3 by Oxy's recent revelation that its affairs were being investigated by the Securities and Exchange Commission for possible irregularities and inaccurate filings. The company hinted that this could affect the Mead takeover. The precise implications are still not clear, but some people on Wall Street believe that Oxy planned that this revelation should depress Mead's shares so as to put further pressure on Mead's management.

No one doubts that Mead is a strong company with a sound future. But observers have begun to ask whether Mead's managers are resisting what is by any measure a reasonable offer more out of concern for their own jobs than the shareholders' interests. At the time it was made, Oxy's offer represented a premium of some 52 per cent over the $23 at which Mead shares were trading before the market got wind of Oxy's interest. And if Oxy's bid fails, Mead shares are bound to bear some of the damage.

Although Mead says a straw poll of its shareholders shows them "overwhelmingly" opposed, the terms have not yet been put to the vote. In fact, as Bruce Lazier, an analyst at Paine Webber remarked: "Why aren't the institutions asking for the opportunity to vote on $35 a share?"

Part of the reason may be that while Mead is a blue chip company, Occidental has come from nowhere in the past 20 years, and its advance is being resisted by the establishment for reasons which have nothing to do with economics.

This resistance has been justified by some analysts on the grounds that Oxy's prospects are weak because a large part of its earnings come from foreign countries with strong nationalist inclinations (meaning, among others, Libya and Great Britain) and that it is lumbered with an unprofitable long term fertiliser deal with the Russians. Others dispute this view, pointing to the strength of North Sea oil revenues, growing production in Peru and Libya, and the improved prospects for its domestic coal operations.

But whichever way earnings go in the longer term, the battle for Mead is bound to dominate the picture in the coming months.

Pernod Ricard maintains growth

By Terry Dodsworth

PARIS—A strong period of growth at Pernod Ricard, the French drinks group, has been followed by the announcement of an initial dividend payment of FFr 5 a share in mid-January. The final amount of the payout will be fixed when the full results are in for the year to the end of December.

The group's performance appears to have improved in the second half of the year, with sales showing an 11 per cent improvement to the end of October over the same period of 1977, after being about 3 per cent ahead in the first six months.

The company stressed, however, that the strong improvement of almost 14 per cent in sales of its celebrated Anis drinks has been partly due to the build-up of stocks in the distribution chain ahead of the price rise in November.

Results from the soft drinks interests of Pernod Ricard were also satisfactory, the company said. Its two subsidiaries in this field, JFA-Pampryl and SPBG, increased volume sales by 16 and 7 per cent respectively.

Overseas activities, organised through the SEGMI subsidiary, are expected to surpass the target set by the two Anis companies, Ricard and Pernod, and surpassed by Cognac Biscuit. There has, however, been a turndown in the Dubonnet aperitif business.

New U.S. credit venture for Fiat

BY PAUL BETTS

ROME—Fiat, Italy's largest private enterprise, has signed an agreement with West Germany's Deutsche Bank to set up in the U.S. a jointly controlled credit company, Fiat Credit Corporation.

The new credit company will finance Fiat's wholesale and retail sales in the U.S. which are currently running at some $650m a year and are expected to top $1bn within the next three years.

The new financial company, to be headed by Sig. Giovanni Agnelli, the chairman of Fiat, is the first such venture between a major industrial group and a foreign bank in the U.S.

In a similar move, Fiat is also currently finalising the purchase of a majority stake in the French Banque Paribas controlled credit company, Creditelec, to support Fiat group retail sales in France.

Both ventures, which respectively hinge on approval by the U.S. Federal Reserve Board and the Banque de France, are essentially aimed at consolidating the Italian group's presence in both the U.S. and French markets, according to Sig. Umberto Agnelli, vice-chairman of Fiat.

Fiat already has similar financial support operations in the UK, where it is involved in a venture with the Midland Bank, in West Germany, in Brazil and in Argentina.

However, the U.S. joint venture with Deutsche Bank is viewed as particularly important by the Italian group.

Fiat's operations in the U.S. are concentrated in four subsidiaries including the Fiat-Allis earthmoving group, the Heston agricultural machinery concern, Iveco trucks and Fiat motors.

Present plans call for the Fiat-Deutsche Bank credit company, based in Chicago, to begin operations in the second half of next year. Fiat sources in Turin disclosed that the initial capital of the credit company would total some $10m which would gradually be increased to about $65m over the next four years.

The new company is to be fully controlled by a U.S. based holding called Fiat Credit Services which in turn will be jointly controlled by Fiat's Dutch holding Fiat Finance and the Compagnie Financiere de la Deutsche Bank in Luxembourg.

The new credit company, which will guarantee a steady flow of funds for Fiat's operations in the U.S., will initially raise money through bank credit lines but eventually enter the commercial paper market.

While the new venture will principally finance Fiat's U.S. sales it is also likely to stretch at some later date its operations to Canada as well as in some cases to other companies, the Fiat sources said.

Fiat has traditionally had a major banking relationship with the West German Credit Institute, which recently opened a branch in New York.

Robert Bosch in Brazilian acquisition

By Diana Smith

RIO DE JANEIRO—West German motor components group Robert Bosch is acquiring 46 per cent of the Cr175m ($8.75m) capital of the Brazilian concern Wapsa Autopecas. Wapsa is one of Brazil's more important car parts manufacturers.

There are 2,000 companies operating in the Brazilian motor components field, and this year sales have risen by 12 per cent. Wapsa produces dynamos, spark plugs, alternators and voltage regulators. Hitherto it has produced some of its items under licence from foreign manufacturers.

To get round official strictures on payment of technology royalties to foreign concerns — designed to reduce the impact of Brazil's $5bn services deficit—Robert Bosch and Wapsa entered into the shareholding agreement. The German company will provide direct technical assistance to Wapsa, which intends to modernise its production line on the grounds that the proportion of electrical components in automobiles will increase in the years to come.

VEW facing plant closures

BY PAUL LENDVAI

VIENNA — VEW (Vereinigte Edelstahlwerke AG), the nationalised Austrian special steel group, which in turn belongs to the Voest-Alpine concern, is faced with plant closures and massive redundancies. VEW produces 330,000 tons of special steel per annum and has been badly hit by falling prices abroad.

A conference of shop stewards was told that the so-called voluntary welfare and social payments will have to be cut by Sch. 170m from the current level of Sch 400m. Furthermore overtime payments will have to be frozen at last year's levels and the embargo on new employment will be maintained at least until mid-1979. Even so about 1,000 of the 1,900-strong staff in the rolling mill at Judenburg will have to be subject to redundancies.

VEW began to operate as a group after the merger of several nationalised special steel companies in 1975 with own funds accounting for 30 per cent of the financial structure, the so-called social capital (pension reserves, etc.) for 7 per cent and borrowed capital for 63 per cent. The director-general Herr Rudolf Bayer revealed that by 1977 the share of own funds had dropped to 19 per cent while borrowing rose to 74 per cent. This means that the loans rose from Sch 7.4bn to Sch 10bn within a period of three years.

New investments aimed at improving the technological structure and reducing the output of the foundry sector will create 370 new jobs at a cost of some Sch 800m. He made it clear that several other plants will have to be closed down.

The Federal Chancellor, Dr. Bruno Kreisky, warned recently that in the long run no company can afford to accept orders which produce only losses. However, Austria faces a general election in October, 1979, so no drastic solution or large-scale closures are likely to be carried out in the near future.

The parent company, Voest-Alpine, announced last month that it will post a maintained loss of some Sch 700m. Since 1974 the company has reduced its labour force by 6,000 to 78,000.

Austrian savings bank expansion

BY OUR OWN CORRESPONDENT

VIENNA—First Austrian Savings Bank Oeesterreichische Sparcasse reports a 17 per cent expansion in its 1978 balance sheet total and expects total assets by the end of the year to pass the Sch 50bn ($3.7bn) mark.

Speaking to the press, director general Dr. Hans Haumer revealed that the bank will float for the first time next year its own bank bonds. This will be made possible by the new law on banking which is likely to be enacted shortly by parliament. The first Austrian which is the second largest Austrian savings bank has up to now had no direct access to the capital market.

The bank last year acquired a 100 per cent interest in the old established private merchant bank, Roessler AG in order to broaden activities in the provinces. The Roessler bank has already opened two branches and by the end of 1979 it should operate ten branches including the cities of Linz and Graz. First Austrian currently operates 71 branches.

The director general joined the ranks of those who cautioned against the so-called boom in bank branches which in the end is self-defeating. "Reckless competition should be dampened since it leads to excessively high interest rate levels."

Swiss employment agency makes Dutch investment

BY JOHN WICKS

ZURICH — Swiss temporary-employment agency Adia Interim SA has acquired a majority shareholding in the Dutch company Keser Beheer BV. Keser has some 20 local offices in Holland and is reported to have an annual turnover equal to some SwFr 70m. Last year, turnover of Adia Interim amounted to SwFr 334m. The purchase of the Keser shareholding means that the Adia group will in future be active in eleven countries.

Kredietbank (Suisse) SA has recorded for a period of 15 months ended September 30, a net profit of SwFr2.3m after deductions for reserves and depreciation of SwFr1.3m against SwFr1.8m.

The directors propose to distribute the balance at their disposal as follows: SwFr300,000 to the legal reserve; SwFr1.7m to the special reserve; and SwFr50,000 to the pension fund.

At September 30, the bank's balance-sheet total amounted to SwFr245.2m, and its reserves, after distribution, to SwFr8.5m.

Japanese companies work out plan for oil refiner

BY YOKO SHIBATA

TOKYO—Kyodo Oil and C. Itoh will shortly work out a financial reconstruction programme for Toa-Kyoseki Oil, whose cumulative deficit totalled as much as Y45bn ($228m) at the end of September, according to Mr. Eiichi Koide, the president of Kyodo Oil.

Toa-Kyoseki Oil was established jointly by Kyodo Oil and Toa Oil, part of the C. Itoh group, in 1973. The company was hard hit by the oil crisis, however, and its capacity utilisation rate is now running at only 50 per cent compared with 70 per cent for the whole industry.

Early this year, Kyodo Oil Group, consisting of Kyodo Oil, Nippon Mining, Asia Oil, Fuji Oil and Kashima Oil, granted financial assistance of Y118bn, to Toa-Kyoseki Oil. However, Toa-Kyoseki recorded another net deficit of Y1.98bn in the first six months of the fiscal year ended last September.

Tor Oil, had meanwhile, been running deficits due to its high investment in gas desulphurisation equipment and its large tanker holdings.

However, financial assistance by C. Itoh, including the suspension of interest payments and borrowings, as well as exchange gains from the recent yen appreciation, lifted Toa from deficit to surplus, with Y1.25bn of interim net profits reported last Sepember. As a result, Toa's cumulative deficit was reduced to Y5.42bn at the end of that month.

The reconstruction programme for Toa-Kyoseki Oil worked out by C. Itoh includes an increase in the Government's refinery allotment to Toa-Kyoseki Oil, and the expansion of Chinese oil imports in order to utilise fully the gas desulphurisation equipment of Toa Oil.

However, the Kyodo Oil group, which consists of indigenous oil refiners, is likely to seek the Government's assistance in the reconstruction of Toa-Kyoseki Oil.

As well as the possibility of an OPEC oil price rise, these refiners, who have fared badly compared with those associated with international oil concerns, also have to combat the effect of the yen's fall against the dollar.

Banks lift exchange revenues

TOKYO — Combined revenues in foreign exchange departments at 13 major Japanese commercial banks rose by an average 3.2 per cent in the half year ended September 30 from the previous six-month period to total Y144.53bn ($734m), banking officials said.

An official at Bank of Tokyo, Japan's largest foreign exchange bank, said that the primary reason for the increase was a steady rise in medium- or long-term loan lending to overseas customers.

Bank of Tokyo's foreign exchange revenues totalled Y42.86bn during the six-month period, up by 6.7 per cent from the previous half-year.

The bank's earnings from trade financing, overseas lending and foreign securities investment dealing were Y17.84bn, up 11.2 per cent from the previous half year period, the official said.

The gains from foreign currency trading with such customers as trading houses and domestic manufacturers of export products totalled Y15.75bn, 7.7 per cent more than the previous half year. But commission charges in syndicated loan and export letter of credit related business were 2.7 per cent lower at Y9.1bn.

The bank's outstanding free-yen deposit balance at the end of September totalled Y145.9bn, 25.7 per cent more than the balance at the end of March.

AP-DJ

Anti-trust inquiry into plant makers

TOKYO — Japan's Fair Trade Commission yesterday (Tuesday) began investigating seven major Japanese plant makers on suspicion of violating anti-trust laws.

The seven were identified as Ebara-Infilco, Nippon Kokan, Mitsubishi Heavy Industries, Kubota Takuma, Hitachi Shipbuilding and Engineering, and Kawasaki Heavy Industries.

Commission officials said the companies were suspected of having concluded an illegal agreement to control competitive biddings for purchase of garbage treatment processing plants.

All the seven firms are leading manufacturers of garbage incinerators.

Last week government investigators searched offices of six major vinyl tile manufacturers and their trade organisation to determine whether they had violated the anti-trust law.

A spokesman for the Fair Trade Commission said that the companies and the Vinly Tile Industry Association were suspected of conspiring to sell vinyl tiles at lower prices to tilers belonging to a co-operative association.

They also allegedly made rebates to member tilers between 1976 and 1977 to cope with a business slump that set in following the 1973 oil crisis. Such practices are prohibited under Japan's anti-trust law.

They said the six manufacturers included Matsushita Electric Works, Toyo Linoleum, and Nitto Boseki.

AP-DJ

Bankruptcy total rises

TOKYO — Japanese corporate bankruptcies in November totalled 1,483 cases, up by 6.9 per cent from October, but down by 7.5 per cent from the same month of last year, Teikoku Koshinsho, a private corporate credit inquiry agency, said.

Liabilities left by bankrupt companies in November totalled Y166.6bn ($846m), down by 14.3 per cent from the previous month, and down by 36.3 per cent from the same period of 1977.

Japanese corporate failures from January through November amounted to 14,501 cases and debts totalled Y2.35 trillion (million million), the agency said.

AP-DJ

Increase in profits at Allied Investors

By Anthony Rowley

HONG KONG — Allied Investors Corporation, a securities investment and real estate development associate of the Wheelock Marden group, announced a 26 per cent increase in net interim profits, to HK$11.3m (US$2.3m) for the six months ended September 30.

Last year's nominal interim net profit was HK$11.9m, but this included a non-recurring amount of HK$2.9m, reflecting the company's share of the retained profits in Mow Tai Development upon the voluntary liquidation of that company.

Allied Investors has declared an interim dividend of 25 cents a share, the same as the interim for last year. The group is forecasting a total distribution of 55 cents a share for the year as a whole, again maintained at last year's levels.

Associated Hotels up

HONG KONG — Group net profit of Associated Hotels rose sharply in the year to September 30 to HK$90.21m (U.S.$18.8m) from HK$25.12m.

Earnings per share emerged at 77.3 cents compared with 21.5 cents, and the company intends to raise the total dividend from 20 cents to 30 cents, including a cash bonus of 8 cents after 4 cents last year.

The company chairman, Mr. K. H. Cheung, said that net profit on sales of commercial and residential properties totalled HK$62m.

Profits from the hotel operation rose by 20.3 per cent and rental income from its commercial areas by 3.5 per cent.

The company said it was confident that the real estate property market should maintain this year's level, while the hotel business would continue to prosper and rental income from the commercial areas would show a reasonable increase.

Profit from the sale of its Cloud View Road residential development may not be received in time for inclusion in this year's accounts, however.

Reuter

Stiffer takeover code proposed

BY JAMES FORTH

SYDNEY — Draft legislation which would mean sweeping changes to existing takeover practices in Australia if implemented has been released by state and federal ministers.

Because of the controversial nature of the proposals the ministers have released the Bill to the public as an exposure draft and called for comment and submission by February 28 next year on any suggested amendments.

The draft broadly follows proposals outlined by the ministers in May, following considerable criticism of many takeover practices, particularly "creeping" takeovers, in which control of a company was wrested without a bid to remaining holders, leaving locked-in minorities.

One of the most important proposed changes is that the legislation would set 20 per cent as the threshold level of control. Beyond this point a buyer must either make a formal offer, stand in the market for at least one month and take all shares offered, or buy in steps of no more than 5 per cent of the target company's capital in four monthly intervals.

It appears that as the legislation is currently drafted, a buyer gaining control of a company which held 20 per cent or more of another company might also have to extend an offer to that company.

The legislation would also prevent holders of 20 per cent or more of a company from disposing of their stake in one parcel. This will affect a considerable number of companies and institutional shareholders, and is expected to meet opposition.

Another important proposed change is that the state and Federal minister responsible would be granted sweeping discretionary powers to grant exemptions from the takeover provision. In some cases the state Corporate Affairs Commissioners would also have power to grant exemptions.

The decision to provide discretionary powers was taken because of the difficulty in legislating to cover all the variations possible under the new system. The minister looked at but rejected the concept of a takeover code and panel along the lines operating in the UK.

The legislation would result in greater emphasis on the share market in company takeovers. The chairman of the Australian Associated Stock Exchanges, Mr. D. V. Tricks, welcomed the "general direction" of the proposals, but said the exchanges disagreed with some of the details and would be submitting recommendations for changes.

Hong Kong property sale

HONG KONG—a 25,295 sq ft site in Tsim Sha Tsui East, Kowloon, sold for HK$145m (U.S.$30m) or HK$5,732 a square foot at a Government land auction here.

The site, with a renewable 75 year lease, is for non-industrial development.

Analysts said the market had generally been looking for a price in the region of HK$6,500 to 7,000 a square foot.

At the previous auction of a Tsim Sha Tsui East site, the lot was withdrawn by the Government auctioneer with the bidding standing at over HK$7,200 a square foot, they noted.

A 9,268 sq ft site in Queen's Road Central, Hong Kong, later sold for HK$49m, equal to $5,287 a sq ft.

The site is also on a renewable 75 years lease for non-industrial purposes.

Reuter

Poor response for Elbit

BY L. DANIEL

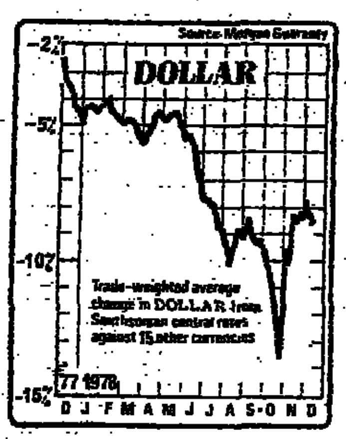
TEL AVIV — Elbit Computers said that 204,035 of the 320,000 units of 35 I£1 ordinary shares and two I£5 ordinary shares offered to the public and to institutional investors at I£258.75 each had been sold when subscription lists closed on December 7. The balance was taken up by the underwriters.

The lack of buyers reflects the current state of the Tel Aviv Stock Exchange. In view of the forecasts of a possible future inflation rate of 40-50 per cent, most investors prefer to invest in bonds linked to the cost-of-living index, or in bank savings schemes offering a choice of linkage to either the index or the dollar.

Dollar improves on intervention

President Carter's comments at his press conference in Washington had little influence on the foreign exchange market yesterday. Dealers were in agreement with the President that the stabilisation of the dollar has been surprisingly effective, and that the U.S. must hope that there will be no OPEC oil price increase, but saw nothing new in his statement.

Earlier in the day the U.S. currency lost ground, but recovered later, and showed a slight improvement on the day against most major currencies. It moved within a range of DM 1.8905-1.9110 against the D-mark, before closing at DM 1.9050, compared with DM 1.9020 previously. The dollar's range against the Swiss franc was SwFr 1.6809 to SwFr 1.7025, and it finished at SwFr 1.6950, compared with SwFr 1.6920 on Monday. Central bank support was a major factor behind the dollar's improvement, particularly by the Swiss authorities.



The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, narrowed to 8.5 per cent from 8.6 per cent.

The speech by Sig. Giulio Andreotti, Prime Minister of Italy, including a reference to the country's readiness to join the European Monetary System on January 1, depressed the lira, although its general movements were in line with most other European currencies against the dollar. It traded within a range of L839¼-846¼ in terms of the dollar, and closed at L845.75, compared with L844.50 previously.

Sterling touched a best level of $1.9890-1.9900, but then declined following a large selling order from the Continent. It touched a low point of $1.9600-1.9610, and closed at $1.9725-1.9735, a fall of 45 points on the day. The pound's trade-weighted index, on Bank of England figures, was unchanged at 63.2, after standing at 63.1 at noon and 63.4 in the morning.

NEW YORK—Small intervention by the Federal Reserve to steady the dollar was suspected in early trading. The dollar moved narrowly in thin end of year business, however, and any selling pressure was very slight.

PARIS—In nervous and sometimes hectic late trading the dollar rose to FFr 4.3767½ against the French franc from FFr 4.3425 earlier in the day and FFr 4.3600 late Monday. Commercial buying and central bank support helped the U.S. currency after an earlier fall caused by a large selling order. Comments from President Carter at his Washington Press conference came too late to affect trading. Sterling rose to FFr 8.6340 against the franc from FFr 8.5960 on Monday, but slightly lower than its morning level of FFr 8.6450. The D-mark improved to FFr 2.2972½ from FFr 2.294¼ on Monday, while the Swiss franc closed at FFr 2.5800, compared with FFr 2.5753 previously.

FRANKFURT — The dollar improved from its fixing level in late trading, rising to DM 1.9050 near the close. The U.S. currency was fixed at DM 1.9030, compared with DM 1.9046 previously, and the German bundesbank bought $14.85m to support the dollar at the fixing, but was not seen in the market during the afternoon. The highest level touched was DM 1.9070, influenced by intervention ot push up the dollar against the Swiss franc by the Swiss franc by hte Swiss National Bank.

The Norwegian krone remained well within its agreed band of movement in the European currency snake.

TOKYO—The dollar fell against the yen in active trading, closing at Y194.85, compared with Y197.05 previously. The U.S. currency opened at Y195.50, and lost ground despite intervention by the Bank of Japan.

THE POUND SPOT

Dec. 12	Bank rate %	Day's Spread	Close
U.S. $	9½	1.9600-1.9900	1.9725-1.9735
Canadian $	10¾	2.3050-2.3450	2.3195-2.3205
Guilder	6½	4.05½-4.08½	4.07-4.08
Belgian F	6	59.10-59.65	59.55-59.45
Danish K	8	10.41-10.48	10.43½-10.44½
D-Mark	3	3.74-3.78	3.75½-3.76½
Port. Esc.	18	91.80-92.80	91.90-92.50
Span. Pes.	8	140.50-141.40	140.60-140.70
Lira	10½	1,661-1,671	1,667½-1,668½
Norwgn. K.	7	10.08-10.11½	10.10½-10.11½
French Fr.	9½	8.60-8.65	8.62½-8.63½
Swedish Kr.	6½	8.69-8.75½	8.72½-8.73½
Yen	3½	385-395	387-389
Austria Sch.	4½	27.45-27.65	27.50-27.65
Swiss Fr.	1	3.33-3.36	3.33½-3.34½

Belgian rate is for convertible francs. Financial franc 60.15-60.25.

FORWARD AGAINST £

One month	% p.a.	Three months	% p.a.
0.42-0.32c pm	2.25	1.03-0.93c pm	1.99
0.65-0.55c pm	3.10	1.55-1.45c pm	2.59
1⅛-⅞c pm	2.58	4-3c pm	3.44
20-10c pm	3.05	65-50c pm	3.87
1-2½ore dis	-1.44	2½-4½ore dis	1.25
3½-2½pf pm	9.18	9¼-8¼pf pm	9.31
60-105c dis	-10.75	140-310c dis	-9.77
50-100c dis	-5.55	210-310c dis	7.39
2-4 lire dis	-2.16	7-10 lire dis	-2.04
2 ore pm-par	1.19	4½-2½ore pm	1.59
3-2c pm	3.48	8-7c pm	3.48
3¼-1½ore pm	3.44	9½-7½ore pm	3.90
4.25-3.85y pm	12.63	11.80-11.04y pm	11.96
17-7gro pm	5.23	52-42gro pm	6.83
4⅝-3⅝c pm	13.91	11¾-10¾c pm	13.01

Six-month forward dollar 1.52-1.37c pm. 12-month 3.70-3.60c pm.

THE DOLLAR SPOT

December 12	Day's spread	Close
Canad'n $*	84.80-85.01	84.98-85.01
Guilder	2.0452-2.0680	2.0660-2.0680
Belgian Fr	29.86½-30.18	30.16-30.18
Danish Kr	5.2600-5.2975	5.2950-5.2975
D-Mark	1.8922-1.9065	1.9055-1.9065
Port Esc	45.50-46.75	46.60-46.75
Span Pta	71.02-71.34	71.29-71.34
Lira	840.00-846.00	845.90-846.30
Nrwgn Kr	5.0695-5.1270	5.1250-5.1270
French Fr	4.3460-4.3860	4.3725-4.3775
Swedish Kr	4.3945-4.4265	4.4255-4.4265
Yen	194.55-196.80	196.30-196.50
Austria Sch	13.85-13.94½	13.93½-13.94½
Swiss Fr	1.6810-1.6940	1.6910-1.6925

* U.S. cents per Canadian $.

FORWARD AGAINST $

One month	% p.a.	Three months	% p.a.
0.3½-0.5½c pm	0.73	0.13-0.15c pm	0.64
0.19-0.14c pm	0.91	0.85-0.78c pm	1.61
4-2½c pm	1.24	15-13c pm	1.76
1.25-1.75oredis	-3.74	3.80-4.30oredis	-3.50
1.18-1.13pf pm	6.81	3.55-3.50pf pm	7.37
43-53c dis	-12.34	98-160c dis	-10.71
35-55c dis	-7.13	155-185c dis	-9.55
3.00-3.50liredis	-4.08	8.35-9.35liredis	-3.93
par-0.40oredis	-1.11	0.25-0.65oredis	-0.87
0.70-0.40c pm	1.16	2.00-1.60c pm	1.56
0.90-0.70ore pm	1.79	2.65-2.45ore pm	2.32
1.75-1.60y pm	9.68	4.50-4.35y pm	9.20
4.50-3.50gro pm	3.65	14.50-12.50gro pm	4.33
1.62-1.57c pm	10.54	4.70-4.65c pm	11.00

CURRENCY RATES

December 12	Special Drawing Rights	European Unit of Account
Sterling	0.647895	0.670814
U.S. dollar	1.27713	1.32213
Canadian dollar	1.50459	1.55563
Austrian schilling	17.8096	18.4396
Belgian franc	38.4161	39.7646
Danish krone	6.75091	6.99854
Deutsche Mark	2.43242	2.51873
Guilder	2.63536	2.72940
French franc	5.58617	5.78488
Lira	1079.17	1117.45
Yen	252.616	259.588
Norwegian krone	6.51656	6.74062
Peseta	91.0298	94.1405
Swedish krona	5.64811	5.83868
Swiss franc	2.16371	2.23865

CURRENCY MOVEMENTS

December 12	Bank of England Index	Morgan Guaranty changes %
Sterling	63.21	-40.7
U.S. dollar	84.58	- 8.5
Canadian dollar	80.04	-17.4
Austrian schilling	144.72	+19.1
Belgian franc	113.39	+14.4
Danish krone	117.06	+ 6.4
Deutsche Mark	148.02	+40.8
Swiss franc	194.04	+83.4
Guilder	123.43	+19.9
French franc	98.21	- 6.5
Lira	54.53	-48.6
Yen	148.09	+46.3

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Dec. 12	£	$		£ Note Rates
Argentina Peso	1.914-1.918	970.09-972.12	Austria	27-28
Australia Dollar	1.7280-1.7330	0.8743-0.8754	Belgium	59½-61
Finland Markka	7.9315-7.9415	4.0200-4.0220	Denmark	10.35-10.55
Brazil Cruzeiro	39.78-40.78	20.16-20.67	France	8.55-8.65
Greek Drachma	71.747-73.501	36.36-37.25	Germany	3.70-3.80
Hong Kong Dollar	9.4550-9.4700	4.8110-4.8130	Italy	1630-1700
Iran Rial	144.34-148.24	74-76	Japan	385-395
Kuwait Dinar (KD)	0.539-0.549	0.2732-0.2782	Netherlands	4.00-4.10
Luxembourg Franc	59.35-59.45	30.10-30.12	Norway	9.95-10.10
Malaysia Dollar	4.2965-4.3090	3.1820-2.1830	Portugal	88-93
New Zealand Dollar	1.8710-1.8780	0.9456-0.9488	Spain	141-145
Saudi Arabia Riyal	6.62-6.72	3.3555-3.4060	Switzerland	3.30-3.40
Singapore Dollar	4.2730-4.2855	2.1710-2.1720	United States	1.9700-1.9850
South African Rand	1.7066-1.7326	0.8650-0.8782	Yugoslavia	41-43

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Dec. 12	Pound Sterling	U.S. Dollar	Deutschemark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.973	3.760	388.0	8.633	3.343	4.075	1668	2.320	59.40
U.S. Dollar	0.507	1.	1.906	196.7	4.375	1.694	2.065	845.4	1.176	30.11
Deutsche mark	0.266	0.525	1.	103.2	2.296	0.889	1.084	443.6	0.617	15.80
Japanese Yen 1,000	2.577	5.085	9.691	1000.	22.25	8.615	10.50	4299	5.979	153.1
French Franc 10	1.158	2.286	4.356	449.5	10.	3.872	4.721	1932	2.688	68.81
Swiss Franc	0.299	0.590	1.125	116.1	2.583	1.	1.219	499.0	0.694	17.77
Dutch Guilder	0.245	0.181	0.923	95.21	2.118	0.820	1.	409.3	0.569	14.58
Italian Lira 1,000	0.600	1.183	2.254	232.6	5.175	2.004	2.443	1000.	1.391	35.61
Canadian Dollar	0.431	0.850	1.621	167.2	3.721	1.441	1.756	719.0	1.	25.60
Belgian Franc 100	1.684	3.322	6.330	653.2	14.53	5.627	6.860	2808	3.906	100.

EURO-CURRENCY INTEREST RATES

Dec. 12	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	9⅜-9⅝	7⅛-8⅛	9-9¼	[illegible]	3¼-3⅜	6¾-7¼	12-14	—	3⅛-5⅛
7 days' notice	[illegible]	9¾-10	7½-8⅛	9-9¼	[illegible]	3⅛-3⅜	7½-8	13-15	9⅞-10	—1½-½
Month	[illegible]	10⅜-10⅝	9⅛-9⅜	9½-9¾	[illegible]	3⅛-3⅜	9⅜-9⅝	14-16	10⅛-10⅜	1-1⅜
Three months	[illegible]	11⅛-11⅜	10⅜-10¾	9⅝-9⅞	[illegible]	3⅜-3⅝	9⅝-9⅞	14½-15½	11¼-11⅜	1⅞-2⅛
Six months	[illegible]	11⅛-11⅜	10½-10⅞	9⅛-9⅜	[illegible]	3¾-3⅞	9⅞-10⅛	15-16	11⅝-11¾	2½-2⅞
One year	[illegible]	11⅛-11⅜	10¼-10⅝	8⅜-8⅝	[illegible]	4-4⅛	10¼-10⅛	15½-16½	11½-11⅝	2½-2⅞

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.40-10.50 per cent; three months 11.05-11.15 per cent; six months 11.20-11.30 per cent; one year 11.10-11.20 per cent.

Long-term Eurodollar deposits: Two years 10$\frac{9}{16}$-10$\frac{11}{16}$ per cent; three years 10$\frac{7}{16}$-10$\frac{9}{16}$ per cent; four years 10-10¼ per cent; five years 10-10¼ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

New York rates easier

Treasury bill rates were easier in New York yesterday, with 13-week bills at 8.86 per cent compared with 8.93 per cent at Monday's auction, and 26-week bills falling to 9.22 per cent from 9.28 per cent at the auction. One-year bills also declined to 9.22 per cent from 9.25 per cent. Federal funds were trading at 9½-10 per cent, slightly up from Monday's level of 9⅞-9⅞ per cent and the Fed reserve made customer overnight repurchases of some $1.2bn.

Certificates of deposit rose on buying interest, with one-month deposits at 10.18 per cent against 10.13 per cent, and three-month certificates at 10.59 per cent from 10.55 per cent.

FRANKFURT — Interest rates showed a rather mixed trend, although longer term money was consistently firmer. Call money was unchanged at 3.5-3.6 per cent while the one-month rate eased to 4.0-4.1 per cent from 4.1-4.2 per cent. Three-month money rose to 4.0-4.1 per cent against 3.95-4.05 per cent, and six-month money completed the rather flatish yield curve at 4.0-4.1 per cent, compared with 3.95-4.05 per cent on Monday. 12-month money was also firmer at 4.15-4.3 per cent against 3.95-4.05 per cent.

The Bundesbank net central currency reserves fell by DM 600m in the first week of December to DM 100.6bn, while other reserve assets remained at DM 4.7bn. The fall was the same as the previous week, and did not prompt any immediate response from the Bank as to the reasons for the decline.

BRUSSELS—Deposit rates for the Belgian franc (commercial) were slightly easier in the long-end, although the one-month rate remained at 9¼-9¾ per cent and three-month deposits stood unchanged at 9¾-9¾ per cent. Six and 12-month rates were both easier at 8¾-9 per cent, compared with 8¾-9 per cent previously. call money unchanged at 6¾ per easier tendency at 7.4 per cent against 7.50 per cent on Monday.

PARIS—Interbank money market rates were again steady, with call money unchanger at 6⅝ per cent, three-month money at 6¾-6⅞ per cent, and six and 12-month at 6⅞-7 per cent and 7¼-7¾ per cent respectively.

MILAN—Money rates were unchanged from Monday, with call money at 10½-10¾ per cent, one and two-month at 11-11¼ per cent, and three-month at 11¼-11¾ per cent.

HONG KONG—Conditions in the money market were generally easy, with call money at 9 per cent and overnight business dealt at 5½ per cent.

GOLD

Weaker trend

Gold fell $5¼ to close at $202¼-$203. It opened at $204¼-205¼, and was fixed at $204.5 in the morning, before selling from New York pushed it down to $201.90 at the afternoon fixing. The lowest point touched was $201½-202, but the metal improved slightly towards the close.

	Dec. 12	Dec. 11
Gold Bullion (a fine ounce)		
Close	$202¼-203	$207¼-208¼
Opening	$204¼-205¼	$202¼-203¼
Morning fixing	$204.05 (£103.160)	$205.40 (£104.169)
Afternoon fixing	$201.90 (£102.487)	$207.00 (£104.736)
Gold Coins domestically		
Krugerrand	$214¼-216¼ (£109-110)	$217¼-219¼ (£110-111)
New Sovereigns	$61¼-63¼ (£30¼-31¼)	$62-64 (£31¼-32¼)
Old Sovereigns	$59¾-61¾ (£30¼-31¼)	$60-62 (£30¼-31¼)
Gold Coins Internationally		
Krugerrand	$208¼-210¼ (£105¾-106¾)	$213-215 (£107¾-108¾)
New Sovereigns	$53¼-55¼ (£27-28)	$54-56 (£27¼-28¼)
Old Sovereigns	$59¼-61¼ (£30¼-31¼)	$60-62 (£30¼-31¼)
$20 Eagles	$285¼-287¼	$284-288
$10 Eagles	$160-165	$155-158
$1 Eagles	$107-110	$106-111

In Paris the 12½-kilo gold bar was fixed at FFr 28,750 per kilo ($204.53 per ounce) in the afternoon, compared with FFr 28,850 ($206.46) in the morning, and FFr 28,970 ($206.00) Monday afternoon.

In Franfurt the 12½-kilo bar was fixed at DM 12,460 per kilo ($203.92 per ounce), compared with DM 12,615 ($206.08) previously.

UK MONEY MARKET

Small assistance

Bank of England Minimum Lending Rate 12½ per cent (since November 9, 1978)

Day to day credit was again in short supply in the London money market yesterday, and the authorities gave assistance by buying a small amount of Treasury bills and a similar sum of corporation bills, all direct from the discount houses. Total assistance was termed as small and may have been slightly underdone. Nevertheless, conditions for today seem set to be rather more comfortable. Discount houses were paying 11¾-12 per cent for secured call loans at the start with closing balances taken in the region of 10½-11½ per cent.

The market was faced with a fairly large rise in the note circulation as well as a moderate net take up of Treasury bills to finance. On the other hand there was a small excess of Government disbursements over revenue transfers to the Exchequer.

In the interbank market, overnight loans opened at 12-12½ per cent and eased to 11½-11¾ per cent before coming back to 12-12½ per cent in the early afternoon. Rates then tended to ease to 10-10½ per cent but came back again with late balances trading at 11½-12 per cent. Longer term rates showed very little movement.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Dec. 12 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	10-12½	—	—	—	12⅝	10½-12	—	—	—
2 days notice	—	—	11⅞-12⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	12⅝	—	—	—	—
7 days notice	—	12$\frac{1}{16}$-12¼	12-12¼	—	12½	—	12	—	—	—
One month	12$\frac{3}{16}$-12$\frac{1}{16}$	12⅛-12¼	12-12¼	12⅛-12⅛	12⅛-12⅝	12⅝	12	11$\frac{11}{16}$-11½	12$\frac{1}{16}$	12½
Two months	12$\frac{3}{16}$-12⅛	12$\frac{3}{16}$-12$\frac{5}{16}$	—	12⅛-12½	12⅝-12¾	12¾	12	11$\frac{13}{16}$-11$\frac{11}{16}$	12⅛	12½
Three months	12$\frac{1}{16}$-12$\frac{1}{16}$	12¼-12⅜	12⅛-12¼	11⅞-12¼	12⅝-12⅞	—	11¾	11⅝	12$\frac{1}{16}$-12$\frac{1}{16}$	12½
Six months	12$\frac{1}{16}$-11$\frac{13}{16}$	12$\frac{1}{16}$-12$\frac{3}{16}$	11¾-12	11¾-12	12⅜	—	—	—	11$\frac{13}{16}$-11⅝	12¾
Nine months	11$\frac{13}{16}$-11$\frac{11}{16}$	11⅞-12$\frac{1}{16}$	—	11½-11⅞	12¼	—	—	—	—	—
One year	11$\frac{11}{16}$-11⅝	11⅞-12	11⅝-11¾	11⅝-11⅞	12¼	—	—	—	—	—
Two years	—	—	12-12¼	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 12¼-12⅜ per cent; four years 12½-12⅝ per cent; five years 12½-12⅝ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11¾-11$\frac{31}{32}$ per cent; four-month trade bills 12¾ per cent.

Approximate selling rates for one-month Treasury bills 11$\frac{7}{16}$-11$\frac{19}{32}$ per cent; and two-month 11$\frac{15}{32}$-11$\frac{15}{32}$ per cent; three month 11½-11$\frac{17}{32}$ per cent. Approximate selling rate for one-month bank bills 12-12$\frac{1}{16}$ per cent; two-month 12 per cent; and three-month 11$\frac{15}{16}$-11$\frac{31}{32}$ per cent; one-month trade bills 12 per cent; two-month 12¾ per cent; and also three-month 12¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 11½ per cent from December 1, 1978. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Base Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.5562 per cent.

MONEY RATES

NEW YORK	
Prime Rate	11.5
Fed Funds	9.9375
Treasury Bills (13-week)	8.86
Treasury Bills (26-week)	9.22
GERMANY	
Discount Rate	3
Overnight	3.55
One month	4.05
Three months	4.05
Six months	4.05
FRANCE	
Discount Rate	9.5
Overnight	6.625
One month	6.6375
Three months	6.8125
Six months	6.9375
JAPAN	
Discount Rate	3.5
Call (Unconditional)	4.75
Bills Discount Rate	4.625

BUILDING SOCIETY INTEREST RATES

GREENWICH (01-813 5212)
231 Greenwich High Road, Greenwich SE10 8NL.
"Deposit Rate 6.45%. Share Accounts 6.10%. Sub'pn. Shares 8.25%. Term Shares 2 yrs. 8.85%. 3 yrs. 9.10%. Interest paid quarterly on shares/term shares. Monthly Income Shares 8.10%.

LONDON GOLDHAWK (01-995 8321)
15-17 Chiswick High Road, London W4 2NG.
Sub'pn. Shares 9.50%. Deposit Rate 7.75%.
Share Accounts 8.25%.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at November 30, 1978
Clive Fixed Interest Capital 129.67
Clive Fixed Interest Income 114.28

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Cornhill, London EC3V 3PB. Tel.: 01-623 6314.
Index Guide as at December 7, 1978
Capital Fixed Interest Portfolio 100.20
Income Fixed Interest Portfolio 100.55

Wall St. fluctuates narrowly in early trade

INVESTMENT DOLLAR PREMIUM
$2.60 to £1—80½% (83%)
Effective $1.9730 37% (39½%)

SHOWING LITTLE immediate reaction to statements made by President Carter at a Press conference, Wall Street stocks fluctuated narrowly in further *slow early trading yesterday* to leave irregular movements at mid-session.

The Dow Jones Industrial Average, after *managing an* improvement of 5.80 at the close on Monday, was a marginal 0.87 harder at 818.52 at 1 pm. The NYSE All Common Index was unchanged at $54.31, while declines outpaced gaining issues by a small margin. Trading volume amounted to 15.29m shares, compared with Monday's 1 pm figure of 13.93m.

Closing prices and market reports were not available for this edition.

Analysts said investors were still worrying about the size of an oil price increase expected to be agreed at the OPEC meeting this weekend, and added that there is *still no concensus about when* interest rates will peak.

Carter stated that he expects the Shah of Iran to maintain power. Concern over unrest in Iran has made traders cautious of late. He also said he was surprised by the strength of inflation but called dollar support measures "surprisingly effective."

General Motors again topped the actives list and added ⅜ at $56½. *Ford Motor were unchanged* at $41⅞. It has raised 1979 model car prices by 0.5 per cent and truck prices by 0.7 per cent.

Shell Oil, which on Monday said its second Baltimore Canyon well was a dry hole, eased ¼ to $33¾.

Viacom lost $1 to $27 in active trading.

Merck, which is holding talks to acquire Alginate Industries, of England, put on ¼ to $66.

Du Pont picked up ⅜ to $125½, **Alcoa** ¾ to $49, **Eastman Kodak** ¼ to $61¾ and **Polaroid** ¼ to $32, but *IBM slipped ⅝ to $277¾*, **Boeing** ¾ to $72 and **Sears Roebuck** ⅛ to $21¾.

National Airlines moved ahead 4⅝ to $36¼. *Eastern Airlines has* proposed to buy National for $50 a share. Eastern lost ⅝ to $9¼.

THE AMERICAN SE Market Value Index gained a modest 0.16 more to 151.47 at 1 pm in reduced activity, but losses held a small lead over rises. Volume 1.59m shares (1.91m).

Volume leader **Texas International Airlines**, which holds 24 *per cent of National* and is seeking control, was unchanged at $12⅝.

Resorts International "A" rallied 1⅝ to $23⅝. **Pepcom Industries** jumped 2¼ to $17 in active trading, but **Interplastic** receded 1⅛ to $8½.

Canada

Markets put on a mixed performance in fairly active dealings yesterday morning.

The Toronto Composite Index hardened 1.5 to 1,297.0 at noon, *while Banks strengthened 4.06 to* 312.04. Golds, however, relinquished 19.6 more to 1,376.8 while Oils and Gas reacted 3.0 to *1,791.4 and Utilities 0.66 to 197.88.*

Bank of Montreal rose ⅜ to C$26 in active trading following a dividend increase.

Teck "A" shed ⅝ to C$9⅝ and **Teck "B"** lost ⅝ to C$9½, but **Yukon Consolidated** rose 55 cents to C$3.00 and **Brameda** 29 cents to C$1.74. The companies are planning to merge.

Kaps Transport, the most active Industrial, fell 6 cents to C$1.04 on 79,975 shares in Toronto.

Tokyo

After another upsurge in early trading, the market retreated on fresh profit-taking to close lower *on the day.*

The Nikkei-Dow Jones Average reached a new record high of 6,111.39 before declining to 6,079.26, down 17.74 on balance. Trading was again less active than of late, with volume totalling 350m shares (370m).

Many shares moved higher initially, but large-capital issues, Textiles and Chemicals were *among stocks turning lower* towards the close on growing concern about the market's high level. **Nisshin Spinning** closed *Y7 down at Y668.*

Export-orientated Electricals retreated following the fresh Yen appreciation, **TDK Electronics** losing Y20 to Y1,910, *Matsushita* **Communication** Y30 to Y1,600, **Matsushita Electric** Y8 to Y740 and **Pioneer Electronic** Y30 to Y1,600.

However, Vehicles showed some resistance to the downtrend, with **Honda Motors**, Y494, recouping Y4 of Monday's loss of Y7, *while* in Cameras, **Canon** added Y7 more at Y471.

Pharmaceuticals made further progress on active buying by institutional investors, while Foods also rose on hopes regarding the *approaching year-end sales* season.

Paris

With investors remaining nervous about lay-offs announced in the French steel industry and *also the forthcoming OPEC conference* on oil prices, Bourse shares again displayed an easier tendency yesterday.

The Steels sector was very weak, with two stocks, **Navale Dunkerque** and **Normandie Marine-Wendel**, temporarily suspended because of an influx of selling orders. This reflects pessimism over the steel industry following the announcement of *further reductions in the* workforce of two major steelmakers because of lack of demand. **Creusot Loire** retreated 3.1 to FFr 61.5.

Constructions were generally firmer, but Banks, Motors, Rubbers, Mechanicals and Hotels lost ground.

Bright exceptions were provided by **Carrefour**, 35 up at FFr 2,289, **Bouygues**, *26 higher at FFr 821*, and **Suez**, 3.2 firmer at FFr 300.

Among issues were **Cetelem, Penhoet, Michelin, Kali, Sagem, Borel, Hachette, Signaux, Poclain** and **UTA**.

Germany

Stocks came back from a firmer start to finish generally with narrow irregular movements after another quiet trade.

Siemens, in Electricals, managed a net rise of DM1.20, while **Daimler-Benz**, in Motors, ended *90 pfennigs higher.*

Elsewhere, **Lowenbrau** were notable for an advance of DM30 to DM1,580.

Demag, which announced it has won an order to supply coal-mining equipment to China, gained DM1 to DM176.50.

However, **Lufthansa** lost DM3 at DM95, while **Gutehoffnungshuette** were DM1.20 down and **Karstadt**, *in Stores, shed DM1.50.*

Public Authority Bonds fell afresh by up to 30 pfennigs and the Bundesbank bought a nominal *DM6.9m of stock after DM3.1m* purchases on Monday. Mark Foreign Loans were slightly easier.

Johannesburg

Initial sharp gains by Gold shares were later pared following lower Bullion indications, although some sizeable net rises were still *to be seen at the market close.* **West Driefontein** were R2.50 higher at R45.50 and **Western Deep** R1.20 up at R16.40.

The stock exchange has been closed for the past two business days in order for it to move to new premises.

De Beers advanced on both local and London demand to finish 13 cents higher at R7.85, after touching R7.90.

Platinums gained a few cents, while other Metals and Minerals were mostly unchanged to firmer.

Industrials tended to improve on institutional support.

Australia

After recent firmness, markets showed no clear trend yesterday in cautious trading. Acting as a drag on sentiment was news that Australian wages will rise 4 per cent to fully compensate for con*sumer price rises in the second* and third quarters.

Market leader **BHP**, following Monday's advance of 24 cents on speculation over its oil exploration interests, shed 4 cents to A$8.90.

In a mixed Oils sector, **Beach Petroleum** relinquished 3 cents at 74 cents but **Bridge Oil** gained 2 cents more to A$1.42.

ICI Australia, responding to higher profits, improved another 5 cents to A$2.25, while *other* firm spots in the Industrials sector included **Brambles** *Industries*, 5 cents up at A$1.65, and **News**, 10 cents dearer at A$2.50. In contrast, **Australian Foundation Investment**, strong of late, reacted 4 cents to A$1.01.

Banks were mainly a shade firmer, but **ANZ** came back 2 cents to A$3.98.

Among Uraniums, **Queensland Mines**, A$3.30, lost 5 cents of the *previous day's rise of 14 cents* which followed news of the ratification of the Nabarlek agreement by the Northern Land Council. Its partner in the Nabarlek prospect, **Kathleen Investments**, was a shade easier. **Pancontinental** receded 25 cents to A$9.80, but **Peko-Wallsend** put on 4 cents more to A$5.54.

CRA rose 9 cents to A$3.54, *but some diamond exploration* speculatives retreated, **Spargos** declining 5 cents to 25 cents.

Central Norseman added 30 cents at A$11.90, still helped by rising gold prices, but **Gold Mines of Kalgoorlie** and **Emperor** *shed 2 cents apiece.*

Hong Kong

Market remained in easier mood in slack trading, with the lower-than-expected prices realised at Monday's Crown Land auction continuing to depress sentiment. The Hang Seng index receded 5.13 more to 513.81.

Hong Kong Bank lost 20 cents to HK$17.50, **Hong Kong Land** also 20 cents to HK$7.90, **Hutchison Whampoa** 12.5 cents to *HK4.13*, *Swire Pacific 10 cents to* HK$7.70 and **Wheelock** 2.5 cents to HK2.55.

China Light declined 70 cents to HK24 ahead of going ex-rights today. **Stelux** dipped 35 cents to HK$2.00 following Monday's announcement that the company suffered a HK$61.38m loss after extraordinary items in the year ended March 31.

Trading in the **Hong Kong Land** unsecured loan 1984-93, in *its partly-paid form began* yesterday and the stock closed at HK$26.

NEW YORK

Stock	Dec. 11	Dec. 8
[illegible]		

Stock	Dec. 11	Dec. 8
Woolworth	19½	19⅛
Wyly	4⅛	4
Xerox	54	53¾
Zapata	11	11
Zenith Radio	13⅛	13¼
U.S. Treas. 4% 1980	†94	†94
U.S. Treas. 4¼% 75/85	†78⅝	†78⅝
U.S. 90-day bills	8.92%	8.95%

CANADA

Stock	Dec. 11	Dec. 8
[illegible]		

Stock	Dec. 11	Dec. 8
Trans Mount Opl	8½	8⅜
Trizec	‡16	16
Union Gas	10⅝	10⅝
Unitd Siscoe Mines	10⅝	10⅝
Walker Hiram	39⅝	39½
West Coast Trans	11⅞	11¾
Western Geo.	23¼	23¼

† Bid. ‡ Asked. § Traded. ‖ New stock.

NOTES: *Overseas prices shown below* exclude $ premium. Belgian dividends are after withholding tax.
♦ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
♥ Pta 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
Φ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. $ Price at time of suspension. *a* Florins. *b* Schillings. *c* Cents. *d* Dividend after pending rights and/or scrip issue. *e* Per share. *f* Francs. *g* Gross div. %. *h* Assumed dividend after scrip and/or rights issue. *k* After local taxes. *m* % tax free. *n* Francs: including Unilac div. *p* Nom. *q* Share split. *s* Div. and yield exclude special payment. *t* Indicated div. *u* Unofficial trading. *v* Minority holders only. *y* Merger pending. * Asked. † Bid. § Traded. ‡ Seller. *z* Assumed. *xr* Ex rights. *xd* Ex dividend. *xc* Ex scrip issue. *xa* Ex all. Δ Interim since increased.

GERMANY ♦

Dec. 12	Price Dm.	+ or —	Div. %	Yld. %
AEG	81.0	.....	—	—
Alliance Versich.	500.0	+2.5	31.2	3.1
BMW	226.0	.....	28.12	6.2
BASF	*135.5*	*—0.1*	*18.76*	*6.9*
Bayer	139.8	—0.2	18.75	6.7
Bayer-Hypo	318	+1	28.12	4.4
Bayer-Vereinsbk.	327.2	—0.3	28.12	4.3
[illegible]				

TOKYO ¶

Dec. 12	Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	365	.....	14	1.9
Canon	471	+7	12	1.3
Casio	893	+8	25	1.4
Chinon	377	.....	20	2.7
Dai Nippon Print	589	+1	18	1.5
Fuji Photo	619	+1	15	1.2
Hitachi	261	—2	12	2.3
[illegible]				

Source Nikko Securities, Tokyo

AMSTERDAM

Dec. 12	Price Fls.	+ or —	Div. %	Yld. %
[illegible]				

BRUSSELS/LUXEMBOURG

Dec. 12	Price Frs.	+ or —	Div. Net	Yld. %
[illegible]				

SWITZERLAND ♦

Dec. 12	Price Frs.	+ or —	Div. %	Yld. %
[illegible]				

COPENHAGEN ♣

Dec. 12	Price Kroner	+ or —	Div. %	Yld. %
[illegible]				

MILAN

Dec. 12	Price Lire	+ or —	Div. Lire	Yld. %
[illegible]				

VIENNA

Dec. 12	Price %	+ or —	Div. %	Yld. %
[illegible]				

AUSTRALIA

Dec. 12	Aust. $	+ or —
[illegible]		

OSLO

Dec. 12	Price Kroner	+ or —	Div. %	Yld. %
[illegible]				

BRAZIL

Dec. 12	Price Cruz.	+ or —	Div. Cr.	Yld. %
[illegible]				

Source: Rio de Janeiro SE.

JOHANNESBURG

MINES

December 12	Rand	+ or —
[illegible]		

INDUSTRIALS

[illegible]		

Securities Rand U.S.$0.64½ (Discount of 43.9%)

PARIS

Dec. 12	Price Fr.	+ or —	Div. Frs.	Yld. %
[illegible]				

SPAIN ♥

Dec. 12	Per cent	+ or —
[illegible]		

STOCKHOLM

Dec. 12	Price Kronor	+ or —	Div. Kr.	Yld. %
[illegible]				

Indices

NEW YORK—DOW JONES

	Dec. 11	Dec. 8	Dec. 7	Dec. 6	Dec. 5	Dec. 4	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
◆Industrials	817.65	811.85	816.89	821.90	822.51	808.87	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	85.56	85.47	85.56	85.48	85.51	85.28	89.88 (4/1)	85.12 (13/11)	—	—
Transport	216.64	215.45	216.68	218.29	218.28	215.55	261.49 (8/9)	199.31 (9/1)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	101.12	101.88	101.25	101.52	100.78	100.27	110.98 (5/1)	98.35 (14/11)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	21,090	18,560	21,840	29,830	25,890	22,920	—	—	—	—

* Basis of Index changed from Aug. 24 — ◆ Day's high 821.29 low 808.75

	Dec. 8	Dec. 1	Nov. 24	(Year ago approx.)
Ind. div. yield %	5.97	5.97	5.83	5.63

STANDARD AND POORS

	Dec. 11	Dec. 8	Dec. 7	Dec. 6	Dec. 5	Dec. 4	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	107.87	107.26	107.81	108.34	108.58	108.80	118.71 (12/9)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	97.11	96.63	97.08	97.49	97.44	96.15	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/83)	4.40 (1/6/32)

	Dec. 6	Nov. 29	Nov. 22	Year ago (approx.)
Ind. div. yield %	5.05	5.23	5.12	4.96
Ind. P/E Ratio	8.77	8.73	8.90	8.92
Long Gov. Bond yield	8.74	8.75	8.67	7.85

N.Y.S.E. ALL COMMON

Dec. 11	Dec. 8	Dec. 7	Dec. 6	1978 High	1978 Low
54.31	54.08	54.38	54.57	60.38 (11/9)	48.37 (6/3)

Rises and Falls	Dec. 11	Dec. 8	Dec. 7
Issues Traded	1,914	1,851	1,881
Rises	785	522	591
Falls	700	863	818
Unchanged	451	466	472
New Highs	14	10	16
New Lows	33	28	39

MONTREAL

	Dec. 11	Dec. 8	Dec. 7	Dec. 6	1978 High	1978 Low
Industrial	217.98	217.60	217.41	215.92	222.14 (11/10)	152.80 (16/2)
Combined	224.70	224.64	224.26	222.52	225.81 (12/10)	170.82 (30/1)
TORONTO Composite	1295.5	1295.0	1290.5	1285.2	1332.7 (12/10)	998.2 (30/1)
JOHANNESBURG Gold	(c)	(c)	228.2	225.8	272.0 (14/8)	186.8 (29/6)
JOHANNESBURG Industrial	(c)	(c)	257.7	266.9	281.8 (1/11)	194.9 (13/5)

	Dec. 12	Previous	1978 High	1978 Low
Australia (‡)	540.87	539.82	566.79	411.19
[illegible]				

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
[illegible]			

EUROPEAN OPTIONS EXCHANGE

Series	Jan. Vol.	Jan. Last	Apr. Vol.	Apr. Last	July Vol.	July Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS

BASE LENDING RATES

A.B.N. Bank	12½%
Allied Irish Banks Ltd.	12½%
American Express Bk.	12½%
Amro Bank	12½%
A P Bank Ltd.	12½%
Henry Ansbacher	12½%
Associates Cap. Corp.	12½%
Banco de Bilbao	12½%
Bank of Credit & Cmce.	12½%
Bank of Cyprus	12½%
Bank of N.S.W.	12½%
Banque Belge Ltd.	12½%
Banque du Rhone et de la Tamise S.A.	13 %
Barclays Bank	12½%
Barnett Christie Ltd.	13½%
Bremar Holdings Ltd.	13½%
Brit. Bank of Mid. East	12½%
■ Brown Shipley	12½%
Canada Perm't Trust	12½%
Cayzer Ltd.	12½%
Cedar Holdings	12½%
■ Charterhouse Japhet	12½%
Choulartons	12½%
C. E. Coates	12½%
Consolidated Credits	12½%
Co-operative Bank	*12½%
Corinthian Securities	12½%
Credit Lyonnais	12½%
Duncan Lawrie	12½%
The Cyprus Popular Bk.	12½%
Eagil Trust	12½%
English Transcont.	12½%
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	12½%
Greyhound Guaranty	12½%
Grindlays Bank	12½%
■ Guinness Mahon	12½%
■ Hambros Bank	12½%
■ Hill Samuel	§12½%
C. Hoare & Co.	†12½%
Julian S. Hodge	13½%
Hongkong & Shanghai	12½%
Industrial Bk. of Scot.	12½%
Keyser Ullmann	12½%
Knowsley & Co. Ltd.	14½%
Lloyds Bank	12½%
London Mercantile	12½%
Edward Manson & Co.	13½%
Midland Bank	12½%
■ Samuel Montagu	12½%
■ Morgan Grenfell	12½%
National *Westminster*	12½%
Norwich General Trust	12½%
P. S. Refson & Co.	12½%
Rossminster	12½%
Royal Bk. Canada Trust	12½%
Schlesinger Limited	12½%
E. S. Schwab	13½%
Security Trust Co. Ltd.	13½%
Shenley Trust	14 %
Standard Chartered	12½%
Trade Dev. Bank	12½%
Trustee Savings Bank	12½%
Twentieth Century Bk.	13½%
United Bank of Kuwait	12½%
Whiteaway Laidlaw	13 %
Williams & Glyn's	12½%
Yorkshire Bank	12½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month deposits 10½%.
† 7-day deposits on sums of £10,000 and under 10%, up to £25,000 10½% and over £25,000 10¾%.
‡ Call deposits over £1,000 10%.
§ Demand deposits 10%.

هكذا من الأصل

COMMODITIES, RAW MATERIALS and AGRICULTURE

هكذا من الأصل

Ministry backs new bid to raise potato prices

BY JOHN EDWARDS, COMMODITIES EDITOR

THE Ministry of Agriculture confirmed yesterday it has agreed to a second support buying programme to raise the price of potatoes from the present depressed levels.

The intention is that sufficient surplus potatoes are removed from the market to push up prices to the guaranteed level for growers of £63.90 a tonne.

At present prices are around £34 to £35 a tonne and the Government would face a huge bill for deficiency payments (the gap between the market and guaranteed price) unless the market rises.

The cost of the buying programme, which will continue until market prices rise to the required level, will as usual be financed two-thirds by the Government and one-third by the Potato Marketing Board, which will be handling the scheme.

Under a new support market system introduced this year the Board bought 450,000 tonnes earlier this year from growers. But this failed to bring prices up to the guaranteed level because the bumper crop increased available supplies more than expected.

At the moment the Board is forecasting a surplus supply of 500,000 tonnes of maincrop potatoes out of total production of a peak 6.4m tonnes. However, to bring a big enough increase in potato market prices it may be necessary for the Board to buy up substantially larger quantities and then, as necessary, sell them back to growers at a later date.

The board considers it is most effective to control the market at an early stage rather than wait until prices slump too low.

Unlike the first support buying programme the board is insisting that any potatoes it buys from clamps or stores must not only be "dressed" to laid-down maincrop standards but also be subject to inspection.

Prices offered range from £44 a tonne for January-February deliveries to £48 for June-July in line with the normal seasonal rise in the market.

Potato Marketing Board officials were at pains to point out that a rise of £20 a tonne in the price for growers equals an increase of less than 1p a lb in the shops.

Windwards banana boost

BY OUR COMMODITIES STAFF

THE WINDWARD Islands have regained the lead in the UK banana market following seven years of depressed production.

Geest Foods imported 135,000 tonnes during 1978, the island's entire crop, the company announced yesterday. Next year's production is expected to be still higher at about 150,000 tonnes but this would still be some way below the record level of 194,000 tonnes reached in 1969.

The low prices resulting from the high 1969 crop discouraged some growers and a persistent drought this decade extended this trend. By 1975 output had slumped to 90,000 tonnes.

In recent years UK Government aid has encouraged many Windward Islands farmers to return to banana growing and others to step up production. This helped to boost output to 110,000 tonnes in the 1977 crop season.

Geest said UK demand for bananas increased by 5 per cent in 1978—"an expansion which was obtained at prices which were fair to the consumer and offered a reasonable return to the growers."

EEC cash aid for dairy sales

BY OUR COMMODITIES STAFF

THE BRITISH Milk Marketing Board's promotion and advertising budget of about £14m a year will be boosted by an extra £2.9m in the coming months—and the bonus will come from Common Market funds.

The extra income will come from the so-called "co-responsibility" levy collected by the EEC from European dairy farmers since September last year.

By next spring, the Milk Board says, the Community should have collected about £120m, of which British dairy farmers will have paid some £23m.

In addition to the £2.9m for promotions Britain is expected to pick up a further £15m in contributions towards the new EEC programme offering free milk to junior school children.

More money will also be made available for technical and market research, development of export markets, improvements in milk quality and subsidies for the production of dairy ice cream and "concentrated butter"—used mainly as a cooking fat.

In the spring of 1977 the EEC Ministers of Agriculture agreed that farmers should bear a share of the burden of disposing of dairy surpluses. With this in mind they approved the co-responsibility levy on all deliveries of milk to dairies.

This started at 1.5 per cent of the target price of milk and was cut to 0.5 per cent in May this year.

The £2.9m for promotion will be shared among the five Milk Marketing Board areas in Britain. But because it has the largest area and population, England and Wales will take the most—some £2.4m.

Most will go to the MMB but Quality Milk Producers, who sell milk with high cream content from Jersey and South Devon cows, will also take a share.

"We shall use the money to supplement our existing programme of advertising and sales development—to which our own farmers are already contributing to the tune of around £14m," a MMB spokesman said. "These sound large sums, but they are a small percentage of the industry's total turnover—more than £1,300m even at the wholesale level.

"Maintaining, and if possible expanding, the market for liquid milk is vital if consumers are to continue to enjoy doorstep delivery, since this would quickly become uneconomic if consumption fell too far," he said.

The Board was glad to see some, at least, of the money that UK producers had contributed through this levy returning for the benefit of their own markets. It was also heartening that more would now be done to promote sales in other EEC countries.

The Butter Information Council, which helps to promote the sale of all types and nationalities of butter in Britain will also benefit from a grant of about £600,000 from the co-responsibility "pool."

Applications for grants from the Ice Cream Manufacturers' Federation and the Cocoa, Chocolate and Confectionery Alliance were reported to have failed.

Fresh fall in cocoa market

By Our Commodities Staff

COCOA PRICES on the London futures market fell to their lowest levels for more than a month yesterday.

Dearer sterling, lower overnight prices in New York and "bearish" chart patterns combined to depress prices and by the close March delivery cocoa was quoted at £2,041.5 a tonne, down £23.5 on the day. March cocoa earlier fell the £40 permissible daily limit to £2,025 a tonne.

Delays in shipments of Ghana new-crop cocoa are still causing concern but dealers said cocoa from other origins is being delivered. Trade interest in physical cocoa remains "thin" they added.

Dutch cocoa bean grindings in November rose 4.7 per cent to 11,280 tonnes compared with 10,770 a year earlier, the Central Statistics Office of Holland said. But this is lower than the 11,720 tonnes ground in October.

In Japan meanwhile, third quarter grindings were 5.6 per cent up at 5,727 tonnes compared with 5,424 in the April/June quarter, but 14.8 per cent below the level reached in the corresponding period of 1977, the Cocoa and Chocolate Association said.

U.S. copper price rise

DOMESTIC PRICE increases by two leading U.S. copper producers—Asarco and Phelps Dodge—helped copper values on the London Metal Exchange yesterday to resist the downward pressure exerted by the rise in the value of sterling against the dollar.

Cash wirebars, in fact, ended £1.75 up at £775 a tonne.

Both Asarco and Phelps Dodge have raised their U.S. copper price by 1 cent to 71 cents a pound, reflecting the generally well-sold position of producers there. London values were also boosted by West German buying demand.

Tin prices rallied following the steady tone in the Penang market and standard grade cash tin gained £60 to £7,160 a tonne.

Lead values, however, lost ground in the absence of buying interest. The cash price closed £6 down at £427.5 a tonne.

Gold led a general decline in precious metals. Free market platinum dropped by £3.35 to £172.05 a troy ounce; silver spot quotation at the morning fixing was cut by 2.3p to 296.8p an ounce.

UK FISH FARMING

Still room for growth

BY RICHARD MOONEY

FISH FARMING still has a great deal of development potential and it is certain that its contribution to world protein food supplies will continue to grow in importance. But anyone who thinks that it will ever offer a viable and complete alternative to the harvesting of fish from the sea is sadly mistaken.

At present farmed fish represent about 12 per cent of the total annual world supply of 85m tonnes. This figure is misleading, however, as China accounts for 5m-6m tonnes out of the 7m-8m farmed each year, and much of the remainder is produced in India.

In the Western world fish farmers concentrate almost entirely on supplying high value fish — mainly trout — on a relatively small scale. Britain's 170-plus fish farms supply between them less tonnage annually than one good-sized trawler.

Research into the possibilities of marine fish farming has been going on since the middle of the last century but it is only in the past few years that any real prospect of commercial production has emerged.

One of the earliest major experiments was aimed at supplementing the natural resource by releasing fry into the sea. Late last century hatcheries were built all around Britain's North Atlantic seaboard to try out the idea and it was not until the 1950s that this ill-fated scheme was finally abandoned. As sceptics had warned at the outset the young fish released from these hatcheries proved literally a drop in the ocean and had no discernible impact on overall supplies.

3SKA

More recently research has concentrated on the other obvious approach—the rearing of fish to table-size entirely in captivity. The first marine species to be successfully grown in captivity was the plaice. But unfortunately this fish does not command a high enough price in the market to cover the costs involved in commercial production.

Attention was therefore switched to more costly fish such as sole, turbot and halibut. The halibut was ruled out almost immediately because duplication of its natural spawning conditions was not feasible —it spawns at a depth of 1,000 metres in total darkness.

The sole seemed more hopeful but its cautious nocturnal feeding habits have caused problems. These are still being worked on but the commercial feasibility of sole farming is considered doubtful.

By contrast the turbot promises to be the ideal candidate, being easy to feed and handle, fast-growing and an efficient food converter. Commercial trials are under way at the moment and farmed turbot are expected to begin appearing on fishmongers' slabs within a few years.

It is difficult, however, to envisage any marine fish ever challenging the supremacy of the trout in Western world fish farming. Of the nearly 3,000 tonnes of fish currently farmed commercially in Britain all but about 200 tonnes are trout (mostly rainbow) and the rest are salmon.

Rainbow trout are fast-growing and easily reared. More importantly the public is prepared to pay a premium price for its flesh. But there are problems. Surprisingly, considering the British climate, the most difficult of these is a shortage of water.

An intensive trout farm requires 1m gallons of water a day to produce 10 tonnes of fish a year and this places strict constraints on the siting of trout farms. Water-saving techniques are being studied but all have attendant problems.

Filtration and re-use of water is, in the view of most researchers, likely to prove prohibitively expensive. Slow use of water coupled with supplementary oxygenation seems more hopeful. But slow flushing increases the risk of pollution caused by the fish's own waste products and the system requires the use of pure bore-hole water rather than river water. A third possibility is the use of sea water, an approach which is increasing in popularity on the Continent. But copious supplies of fresh water are still needed to see the fish through the early stages of development.

So far I have dealt only with intensive fish farming — which basically converts relatively cheap protein into high quality food. But there is another approach, more attractive to Third World countries, which creates protein-rich food out of naturally-produced vegetable matter which is itself useless for human consumption. This is extensive fish farming. The best species so far identified for this type of operation are carp and tilapia and the best locations are in the tropics, where the sun supplies vast amounts of free energy.

"By providing a little fertiliser and organic manure farmers can get very rapid natural growth of plankton on which carp and tilapia will browse quite happily. It is probable that large numbers of fish will be farmed like this in the Third World.

What of the future then? Intensive farming of trout and salmon in the developed countries is almost certain to increase significantly and Third World production of fish like carp and tilapia obviously offers great potential.

Taking Britain in isolation, a considerable increase in intensive fish farming is confidently expected. Output has already increased from a few hundred tonnes to nearly 3,000 tonnes during this decade and scientists predict that it will reach 10,000 tonnes a year in the early 1980s. This would bring Britain into line with its Continental partners.

A recent Fisheries Research and Development Board report went even further, forecasting that by 1985 UK farmed salmon production might have reached 3,000-5,000 tonnes a year, trout 15,000-20,000 tonnes and marine fish "a few thousand tonnes." At current prices the Board estimated the total value of this output at £25-£30m—about ten times the current level.

The pattern of Government research and development expenditure comes in for some criticism in the report, which urges "some changes of emphasis from marine fish farming to salmonid (mainly rainbow trout) cultivation."

The Board notes that expenditure is currently split about 60:40 in favour of marine species and about 50:50 if fish disease research is included. "Within present total expenditure, we should like to see more effort on salmonids where there seem to be better prospects of an early return."

Australian wool stocks rise and gain

MELBOURNE—The Australian Wool Corporation said its stocks rose to 1.01m bales at the end of November from 912,000 a month earlier. The comparable figure for November 1977 is 1.17m bales.

This is the third successive monthly rise since stocks fell to about 850,000 bales in August after going below 1m bales for the first time in 3½ years at the end of May.

In its latest Monthly Perspective the Corporation said it purchased about 125,000 bales in November.

Australian wool exports rose 30.1 per cent to 136.68m kilos greasy equivalent in the first quarter ended September 30.

The Corporation said exports to Japan rose by 16.8 per cent to 44.08m kilos while exports to Italy, the second-largest customer in the period, rose 114.4 per cent to 12.65m kilos.

The USSR was the third-largest purchaser, taking 6.84m kilos, up 240 per cent, followed by Taiwan at 6.81m kilos, up 176 per cent.

Overall, wool textile activity remains low, the Corporation said.

There is little evidence of any improvement in the Japanese industry and in line with the low activity level, Japanese global wool purchases fell 11.3 per cent over the past year.

Purchases of Australian wool, however, dropped 25.4 per cent to 245,400 bales in the same period.

Reports that Japanese consumers remain conservative in their preference for worsted fabric, however, indicates Australia's share of Japanese wool purchases may improve in the near future.

Reuter

U.S. COFFEE ROASTINGS UP

NEW YORK — Gordon Paton reported yesterday that the amount of green coffee roasted in the U.S. (including coffee for soluble production) totalled an estimated 14.96m bags (60 kilos each) between January 1 and December 2 this year, against roastings of 12.9m bags over that period last year.

The trade publisher reported roastings in the week ended December 2 were 17.7 per cent higher than in the corresponding week of 1977.

Reuter

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Slightly firmer on the London Metal Exchange. Forward metal eased to £788 on the pre-market following the initial rise in sterling against the dollar. However, in the morning rings influential buying saw the price recover strongly to £795, before profit-taking pared the price to £792. In the afternoon values marked time with forward metal finally £792 on the late kerb. Turnover 34,650 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £777, 8, 7, 7.5, three months £789, 90, 91, 2, 4, 5, 4, 3.5, 4, 2, 3.5, 4. Kerb: Wirebars cash £776.5, three months £791, 3.5, 3, 2.5. Afternoon: Wirebars three months £791, 2, 2.5, 3, 2, 1.5, 2. Cathodes cash £762, three months £780. Kerb: Wirebars three months £792, 92, 91.5, 92, 92.5, 93.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Wirebars				
Cash	777.5	+5.5	774.5-5.5	+1.75
3 months	793.5-4	+5.5	791.5-2	+3
Settl'm't	777.5	+5.5	—	......
Cathodes				
Cash	764-.5	+6.75	761.5-2	+4
3 months	782-3	+6.25	780-.5	+5.75
Settl'm't	764.5	+6.5	......	......
U.S. Smt.	—	......	*72	......

TIN—Gained ground in fairly routine trading. The steadiness of the Penang market overnight saw forward standard metal open higher at £7,404. But the initial strength of sterling caused a set-back to £7,016 before prices recovered in the morning rings. In the afternoon modest buying lifted forward metal to a high of £7,078 prior to a close on the kerb of £7,050. Turnover 1,465 tonnes.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	7140-50	+22.5	7155-65	+80
3 months	7045-60	+35	7065-80	+65
Settlem't	7150	+25	—	......
Standard				
Cash	7140-50	+22.5	7155-65	+80
3 months	7040-50	+37.5	7060-5	+65
Settlem't	7150	+25	—	......
Straits E.	‡$1810	[illegible]	—	......
New York	—	......		

Morning: Standard three months £7,035, 40, 10, 20, 30, 35, 40. Kerb: Standard three months £7,045, [illegible]. Afternoon: Standard three months £7,060, 55, 60, 70, 80, 65. Kerb: Standard three months £7,060, 45, 60, 55.

LEAD—Lost ground in quiet trading and mainly reflecting the lack of any buying support. After opening at £409 forward metal gradually eased back to close on the late kerb at £406 with the backwardation narrowing slightly. Turnover 11,975 tonnes.

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	430-1	[illegible]	427-.8	-6
3 months	408-.5	-2.5	406.5-7	-3.5
Sett'ment	431	[illegible]	—	......
U.S. Spot	—	......	*36.36	......

Morning: cash £430, [illegible] three months £409, 7.5, 7, 8, [illegible]. Afternoon: cash £427.5, three months [illegible]. Kerb: three months £406, 6.5, 6, 5.5.

ZINC—Barely changed. After opening on the pre-market [illegible] the price to £353, forward metal [illegible] to £358 before easing [illegible] £356.5 on the late kerb. Turnover [illegible] tonnes.

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	347.5-8	[illegible]	346-.5	[illegible]
3 months	357.5-8	[illegible]	356.5-7	[illegible]
S'ment	348	[illegible]	—	......
Prim.west	—	......	[illegible]	......

Morning: cash £348, three months £356, 6.5, 7.5, 8, 7.5. Kerb: [illegible] £357.25, 57. Afternoon: three months £356.5, 7. Kerb: three months £356.5.

ALUMINIUM—Moved ahead in quiet trading, opening at £619 and edging up to close on the late kerb at £623. Turnover over 1,850 tonnes.

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	—	......	—	......
3 months	622-3	[illegible]	623-4	[illegible]

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

Morning: three months £622, 21.5, 22. Kerb: three months £622. Afternoon: three months £622, 3, 3.5. Kerb: three months £623.

SILVER

Silver was fixed 2.3p an ounce lower for spot delivery in the London bullion market yesterday at 296.8p. U.S. cent equivalents of the fixing levels were: Spot 584.4c, down 5.5c; three-month 597.4c, down 5.5c; six-month [illegible] and 12-month 635.4c, down 3.5c. The metal opened at 294.6-296.6p [illegible] and closed at 296.9-297.9p [illegible].

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	296.8p	[illegible]	296.9p	[illegible]
3 months	305p	[illegible]	306.2p	[illegible]
6 months	312.5p	[illegible]	—	......
12 months	328.9p	[illegible]	—	......

LME—Turnover 312 (213) lots of 10,000 ozs. Morning: Three months 305.3, 5.4. Kerbs: Three months 305.3. Afternoon: Three months 305.3, 5.3. Kerbs: Three months 305.2, 5.

COCOA

Cocoa futures continued to ease due to further liquidation, but renewed interest at the lower levels caused prices to rally to close at the middle of the day's range, reports Gill and Duffus.

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

hybrid for seeding: 77.27, rest nil (77.27, rest nil). Buckwheat: Nil, rest nil (nil, rest nil). Millet—[illegible], rest nil, 69.32 (59.94, rest nil). Grain sorghum: 75.40, rest nil (75.40, rest nil). Flour levies: Wheat or Mixed Wheat and Rye Flour: 120.75 (115.95). Rye Flour: 126.53 (126.53).

RUBBER

EASIER opening on the London physical market. [illegible]

SOYABEAN MEAL

[illegible]

SUGAR

LONDON DAILY PRICE (raw sugar) [illegible]

WOOL FUTURES

[illegible] needs on a freer scale. Interest ranged over various qualities, mostly in American-type growths.

LONDON—The market was dull and featureless, reported Bache. (Pence per kilo)

[illegible]

MEAT/VEGETABLES

[illegible]

COTTON

LIVERPOOL COTTON—[illegible]

PRICE CHANGES

Price in tonnes unless otherwise stated.

	Dec. 12 1978	+ or −	Month ago
Metals			
Aluminium	£710	......	£710
Free market (cts)	$1,170/90	......	$1,180/20
Copper cash W Bar	£775	+1.75	£736.5
3 months do. do.	£791.75	+3	£759.25
Cash Cathode	£761.75	+4	£724.25
3 months do. do.	£780	+3.75	£746.75
Gold Troy oz.	$202.675	−5.2	$210.875
Lead cash	£427.5	−6	£393.5
3 months	£406.75	−3.5	£380.25
Nickel			‡
Free Market (cif)(lb)	$1.68	......	$1.72
	1.80	......	1.82
Platinum troy oz.	£156	......	£142
Free Market	£172.05	−3.35	£162.85
Quicksilver	$148/53	−5	$135/40
Silver troy oz.	296.8p	−2.3	297.6p
3 months	305p	−2.4	305.8p
Tin cash	£7,160	+80	£7,710
3 months	£7,062.5	+65	£7,557.5
Tungsten (z)	$142.66	......	$143.71
Wolfram 22.04 cif	$137/43	......	$143/48
Zinc cash	£346.75	+.5	£345
3 months	£348	−2.5	£355.5
Producers	$720	......	$720
Oils			
Coconut (Phil)	$875p	......	$865
Groundnut	‡	......	......
Linseed Crude	£342	−1.0	£346
Palm Malayan	$590r	......	$608
Seeds			
Copra Philip	$585p	−5.0	$575
Soyabean (U.S.)	$280x	−4.25	$278
Grains			
Barley			
Home Future	£86.25	+0.15	£83
Maize			
French No. 3 Am	£106.25	−0.25	£103
Wheat			
No. 1 Red Spring	£96	−0.5	£94.25
No. 2 Hard Winter	£88.5	−0.5	£89.5
English Milling †	£95.5n	......	£92
Other Commodities			
Cocoa Shipment	£2,082	−25.0	£2,134
Future Mar.	£2,041.5	−23.5	£2,088.5
Coffee Future Mar.	£1,287.5	+1.0	£1,446
Cotton 'A' Index	79.1c	−0.6	79.05c
Rubber kilo	57.5p	−1.75	60.25p
Sugar (Raw)	£103	+2.0	£100
Woolton 64s (kilo)	274p	......	272p

* Nominal. † New crop. ‡ Unquoted. n Jan.-March. p Dec.-Jan. r Feb. s Jan. w Dec. x Per ton. z Indicator prices.

INDICES

FINANCIAL TIMES

Dec. 11	Dec. 8	Month ago	Year ago
258.71	260.68	260.98	241.66

(Base: July 1, 1952=100)

REUTERS

Dec. 12	Dec. 11	Month ago	Year ago
1510.7	1513.7	1509.5	1439.9

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Dec. 11	Dec. 8	Month ago	Year ago
Spot	388.65	388.98	395.01	356.22
Futures	385.51	384.46	388.79	322.01

(Average 1924-25-26=100)

MOODY'S

	Dec. 11	Dec. 8	Month ago	Year ago
Spie Commodty	980.0	983.5	977.7	865.6

(December 31, 1931=100)

GRIMSBY FISH—Supply moderate, demand good. [illegible]

U.S. Markets

Cocoa eases as precious metals rise

NEW YORK, Dec. 12.

PRECIOUS METALS finished the session higher on renewed speculative short-covering despite central bank intervention on behalf of the dollar. Copper finished slightly lower on trade arbitrage selling despite a cent per pound increase in the domestic producer price to 71 cents per pound. Cocoa eased on mixed Commission House and trade activity while sugar declined on trade hedge and arbitrage selling, Bache reported.

Cocoa—Dec. 170.65 (170.55), March 176.35 (176.60), May 176.10, July 175.35, Sept. 175.25, Dec. 169.65, March 167.35. Sales: 646.

Copper—Dec. 67.75 (67.90), Jan. 68.20 (68.40), Feb. 69.05, March 70.90, May 70.90, July 71.95, Sept. 72.90, Dec. 74.10, Jan. 74.50, March 75.30, May 76.10, July 76.90, Sept. 77.70.

Gold—[illegible]

†Lard—Chicago loose 23.00 (23.50). NY prime steam 24.50 nom. (25.00 nom.)

‡‡Maize—[illegible]

§Platinum—[illegible]

¶Silver—[illegible] Handy and Harman spot 585.40 (588.00).

Soyabeans—[illegible]

||Soyabean Meal—[illegible]

Soyabean Oil—[illegible]

Sugar—No. 11: [illegible] May unquoted.

**Wheat—[illegible]

WINNIPEG, Dec. 12. ††Rye—Dec. 97.80 bid (97.60 bid), May 103.50 (103.30), July 103.20 bid, Oct. 101.50.

††Oats—Dec. 86.10 (85.50 bid), March 81.00 bid (80.60 bid), May 78.50 bid, July 78.20 bid, Oct. 78.10.

††Barley—Dec. 74.80 (74.40 bid), March 76.60 bid (76.30 bid), May 76.40, July 76.50 asked, Oct. 76.70 bid.

§§Flaxseed—Dec. 267.50 bid (267.50), May 278.00 bid (277.50-278.60), July 277.50 asked, Oct. 277.50.

¶¶Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 158.36 (157.19).

All cents per pound ex-warehouse unless otherwise stated. *$s per troy ounce—100-ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob NY bulk tank cars. ‡ Cents per 56-lb bushel ex-warehouse, 5,000-bushel lots. § $s per troy ounce for 50-oz units of 99.9 per cent purity delivered NY. ¶ Cents per troy ounces ex-warehouse. || New "B" contract in $s a short ton for bulk lots of 100 short tons delivered fob cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60-lb bushel in store. †† Cents per 24-lb bushel. ‡‡ Cents per 48-lb bushel ex-warehouse. §§ Cents per 56-lb bushel ex-warehouse, 1,000-bushel lots. ¶¶ C$ per tonne.

Setback in equities quickens on reluctance of buyers

30-share index closes 6.9 down at 485.4—Gilts also react

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov. 27	Dec. 7	Dec. 8	Dec. 19
Dec. 11	Dec. 28	Dec. 29	Jan. 9
Jan. 2	Jan. 11	Jan. 12	Jan. 23

* "New time" dealings may take place from 9.30 am two business days earlier.

Leading equities became sensitive yesterday to small offerings and the continued absence of any encouraging economic pointers. Confident expectations that the recent rallying tendency would find renewed strength early in the long Christmas trading Account which started on Monday were again confounded. The *continuing dearth of investment* enthusiasm created disillusionment which, more than any other influence, tended to sour sentiment.

A more resilient trend among the bulk of secondary stocks was bolstered by pockets of activity generated by trading announce*ments, but the overall slowness* of business was illustrated by bargains marked of only 4,102. Gilt-edged securities also turned reactionary on further consideration of last month's Central Government Borrowing Requirement and, to a *lesser* extent, on worries concerning tomorrow's money supply figures and the November trade returns.

The growing conviction that short-term interest rates were unlikely to fall in the near future also cast a shadow over both leading industrials and British Funds; the rate of *this* week's offering of Local Authority year*ling bonds* remained at 11¼ per cent. Reflecting an extension of the overnight dullness in most top-name companies, the FT 30-share index was 2.5 lower at 10 am and finally a net 6.9 down at 485.4, the day's lowest.

Still registering disappointment with last month's larger than expected borrowing *requirement,* British Funds eased and then lost *fresh ground following* yesterday's setback in sterling. Although the Government broker was able to sell more of the medium tap **Exchequer 12¼** per cent 1985 and subsequently withdraw the price of 97¾, investors *appear to be satisfied at the* moment, particularly at the shorter end of the market where recent hopes of an early reduction in interest rates have receded. Closing falls extended to ¼ among both the shorts and longs, but the former closed fractionally above the day's lowest.

Sterling considerations coupled with the *implications of* Italy's decision to join the European Monetary System weighed on the investment currency market. Rates reacted to 80¼ per cent before rallying to 82 per cent and falling again to close at 80¼ per cent, a loss of 2¼ points on the *day. Yesterday's* SE conversion factor was 0.7277 (0.7168).

Activity in the Traded Option market remained at a fairly low ebb. Business, however, in GEC was again quite brisk and accounted for 119 of the total 483 deals.

NatWest down

The major clearing banks turned dull on sporadic offerings and lack of investment interest. **NatWest** relinquished 7 to 280p and **Lloyds** 5 to 282p. *The interim results failed to stimulate interest* in **Standard and Chartered** which traded narrowly around the overnight level before closing a frac*tion better at 426p. In contrast,* **Hambros** continued firmly despite adverse comment and added another 3 to 183p. **Lloyds and Scottish** firmed 2 to 103p, after 104p, awaiting tomorrow's annual statement.

Insurances closed with losses to 4 following a small trade. **Prudential** at 145p and **Britannic** at 162p both shed that much, while brokers **Alexander Howden** touched a *low for the year of 126p* before rallying to close 2 cheaper *on balance at 128p.*

Breweries closed narrowly *mixed ahead of the batch of* results due later in the week. **Wolverhampton and Dudley Breweries** firmed 5 to 222p on the improved results despite the chairman's warning of *rising* costs and price increases. News of a recom*mendation of an export price rise* from the Scotch Whisky Association had *little* effect on Distillery issues. **Distillers**, 3 off at 201p before the announcement, held at *that level to the close.*

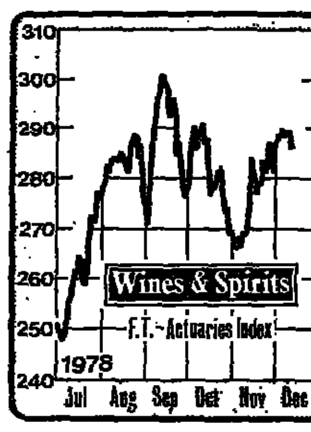
A good market on Monday on Press suggestions that **T. W. Ward** may sell its 26.6 per cent stake in *the company,* **Tunnel B** touched 312p before settling a net 2 higher at 310p; Ward shares, at 79½p, gave back half of Monday's rise of 6. Housebuilders **Milbury** firmed 2 to 70p on second thoughts about the rights issue and the acquisition of Rydeacre Developments, and **Galliford Brindley** hardened a penny to 71p, after 72p, following a bear squeeze. Satisfactory interim statements lifted **James Latham** 5 to 125p and **Beechwood Construction** 3 to a 1978 peak of 32p but, awaiting tomorrow's annual results, **Marley** shed 3 to 75p. *Interim profits in line with* market expectations left **Montague L. Meyer** *the turn harder at 86p.*

Up 23 on Monday **Alginate** *jumped further* to 308p before settling at 305p for a gain of 50 on the announcement that talks are in progress with Merck Inc., the U.S. pharmaceuticals group, which may lead to an offer for the company. Elsewhere in Chemicals, **ICI** *encountered a slow two-way* trade for the most part before late selling left the close 5 down at 374p.

Stores leaders drifted in an idle day's trading. Hi-fi dealers **Audiotronic** cheapened a penny to 18p following the half-time statement and its *reference to recent trading* difficulties. **Alfred Preedy** reacted another penny to 76p following the previous day's fall of 6 on the poor interim results. Buying interest revived in **A. G. Stanley**, 5 better at 183p in a market none *too well supplied with stock,* while acquisition news added 4 to **Church** at 172p.

Laurence Scott weak

Unsettled by news of the redundancies at its Norwich Factories, **Laurence Scott** encountered nervous selling and fell to close 11 down at 93p; the interim results are due next Tuesday. Elsewhere in the *Electrical sector,* **MK**, a good market of late, reacted 6 to 218p, while **BICC**, 2 easier at 128p, failed to benefit from news of the £100m Hong Kong export *order. Leading issues drifted off* on lack of support, **GEC** easing 3 to 338p and **EMI** 2 to 149p. Buying interest for Electronic issues faded after the recent good run. Losses, however, were fairly modest. **Racal** ran back 7 to 353p, while **AB Electronic**, 163p, and **Farnell**, 398p, reacted 3 and 5 respectively.



Lack of support and scattered *offerings prompted dullness in* the Engineering leaders. **John Brown** were on offer at 384p, down 8, along with **Tubes**, a similar amount cheaper at 382p. **GKN** fell 7 to 253p, while **Vickers** eased a few pence to 194p. The majority of movements *in* secondary issues were limited to *a few pence either way.* However, demand in a restricted market lifted **Bullough** 8 to 169p, while other noteworthy improvements included **Thomas Robinson**, up 4 at 74p, and **Haden Carrier**, a like amount to the good at 112p. **Ransome Hoffmann Pollard**, 65p, and **United Spring**, 28p, both improved a penny following trading statements. By way of contrast, **Averys** eased 3 to 232p awaiting news of the possible bid from GEC. **Brooke Tool**, a firm market of late, eased 2 to 31p, *while* **Serck** *shed 1½ to a low for* the year of 76½p in front of today's preliminary results.

In Foods, **J. Sainsbury** came on offer and eased 5 to 230p and **Tesco** shed a penny to 53½p. Awaiting the results of the bakery ballots, **RHM** and **A.B. Foods** relinquished a penny apiece *to 50½p and 69p respectively.* In contrast, the first-half profits recovery and return to the dividend list prompted a gain of 3 to 15p in **Barker and Dobson**, but disappointment with the *annual* results left **W. J. Pyke** 5 lower *at 65p, after 64p.*

Beecham on offer

Leading miscellaneous Industrials issues gave ground *with* **Beecham** particularly vulnerable *to light selling* and closing 11 down at 624p. News of the proposed redundancies in order to strengthen the company's competitive position affected sentiment in **Metal Box**, 6 lower at 304p, with the new shares 4 easier *at 56p premium.* **Smith Industries** gave up 4 at 218p and **Pilkington** 5 at 305p, but **Trafalgar House**, a penny dearer at 127p, reflected satisfaction with the preliminary results and proposed one-for-two scrip issue. Furniture shares encountered *occasional support.* **Stag** firmed 4 to 148p, while the *mid-way recovery in* profits stimulated interest in **R. W. Toothill**, 2 to the good at 43p. **Parker Knoll A** were also 2 better at 93p. Other bright spots included **S. Gibbons**, 5 dearer at 220p and **Extel**, 4 higher at 124p. On the other hand, lower annual profits left **Redfearn National Glass** 3 cheaper at 280p.

Management Agency and Music added 2 more to 114p, after 116p, on further reflection of the results.

In easier Motors, **Lucas** stood out with a fall of 8 to 302p after the chairman's comments at Monday's annual meeting on recent and current trading *difficulties.* **Dunlop**, 65p, and **Dowty**, 272p, *were also* dull, falling 2 and 6 respectively. **Plaxtons**, on the other hand, rallied 6 to 118p in a thin market; the annual results are due on December 19.

Newspaper / publishing issues generally closed at higher levels in thin trading. **Daily Mail A** attracted interest and put on 8 to *368p, while* **News International** added a couple of pence to 277p. Greetings card manufacturers **Wilson Bros.** reported an improved first-half but stayed at the overnight level of 42½p. **W. N. Sharpe** remained firm, gaining 7 for a two-day rise of 12 to a peak of 157p. Following bumper *interim profits and the company's* confident trading statement, **Chapman (Balham)** rose 8 to 93p. In contrast, **Saatchi and Saatchi**, 140p, and **Mills and Allen**, 232p, fell 3 and 6 respectively on profit-taking.

Leading Properties remained subdued, but **Peachey** *found* fresh support and put on 2 to 91p while **County and District** added a like amount to a high for the year of 125p. **Fairview** firmed 3 for a two-day gain of 7 at a 1978 peak of 143p and **Bradford** *improved 5 to 275p.*

Oils steady

Oils held relatively steady *against the generally drab market* background with falls limited to 6 in **British Petroleum**, at 924p, and to 2 in **Shell**, at 576p. **Royal Dutch** gave up ¼ at £41¼ on dollar premium influences. Secondary stocks were also a *shade easier, where changed,* with **Siebens (UK)** slipping 6 to 274p.

Despite a slight decrease in pre-tax profits, **Thomas Borthwick** rallied 5 to 73p following good second-half meat exports and profit trading by recently acquired Matthews Holdings and *Midland Cattle.* **Mitchell Cotts**, shown in yesterday's Share Information Service as 3½ down at 39p, should have been given as ½ off at 39p xd.

Investment Trusts ended with barely a quotable change, increased half-year earnings having no effect on **Rothschild**, at 209p. *Improvements of 2, however,* were recorded in **Law Debenture**, 101p, *and* **Jersey General**, 225p. In Financials, **Mooloya** put on 2 to 56p, but **Armour Trust**, at 13½p, gave up a penny of Monday's Press-inspired gain of 3½p.

P & O Deferred featured Shippings with a loss of 3 to 81p following news of the suspension *of trade in the shares of its Bovis* South East Asia subsidiary pending an injection of fresh funds. **Furness Withy** came back 6 more to 243p, while **Reardon Smith** shed 2 to 80p.

Textiles were barely tested and closed around the overnight levels despite some two-day trade. **Cawdaw** added a penny to 35p in front of today's interim statement. Dealings in **Brigray** were suspended at 6½p pending an announcement from the company concerning a possible bid approach.

Selection Trust rise

Vague rumours that Standard of California is to renew its previous attempt to take over *Amax* caused a flurry of buying of **Selection Trust**, which has an 8.3 per cent stake in the former. Selection Trust climbed 34 to 474p; the company stated that it knew of no reason for the rise.

Charter Consolidated, which holds around 25 per cent of Selection Trust, put on 7 to 141p. *Charter* were *also* buoyed by rumours of a possible reorganisation of the Charter/Minorco arms of Anglo American Corporation; **Minorco** themselves, advanced 6 to 160p.

Other Financials, however, remained subdued following a $5.25 fall in the bullion price to *$202.625 per ounce and a down*turn in the investment premium. **De Beers** fell 10 to 354p and **Anglo American Corporation** 4 to 294p.

The weakness of the bullion price caused a setback in South African Gold shares for the first time in six trading days.

Prices were marked down at the outset and lost further ground *throughout* the day in front of the generally lower-than-expected **Gold Fields** group December dividends which were not known during market hours.

Among the heavyweight *issues,* falls of a half-point were common *to* **Randfontein**, £27¾, **West Driefontein**, £20¼ and **Western Holdings**, £15, while lower-priced issues showed **Kinross** 13 off at 245p. The Gold Mines index gave up 4.2 to 135.5, while the ex-premium index lost 1.5 to 98.6.

A slightly firmer trend in overnight Sydney and Melbourne markets was more than offset by the lower premium and *Australians consequently* tended to drift.

Elsewhere, **Yukon Consolidated** rose 25 to 185p, after being suspended temporarily in Canada, following the takeover bid from Teck Corporation.

FINANCIAL TIMES STOCK INDICES

—	Dec. 12	Dec. 11	Dec. 8	Dec. 7	Dec. 6	Dec. 5	A year ago
Government Secs.	68.66	69.01	68.97	68.99	68.83	68.86	75.86
Fixed Interest	70.24	70.26	70.37	70.31	70.23	70.08	78.66
Industrial	485.4	492.3	493.3	491.5	491.8	488.2	476.9
Gold Mines	135.5	139.7	134.4	131.0	127.3	125.0	137.4
Gold Mines (Ex-$ pm.)	98.6	100.1	97.2	95.0	92.8	94.6	100.4
Ord. Div. Yield	5.95	5.87	5.85	5.86	5.85	5.90	5.60
Earnings, Y'ld%(full)	15.70	15.49	15.46	15.36	15.34	15.49	16.92
P/E Ratio (net) (*)	8.27	8.38	8.40	8.41	8.42	8.34	8.39
Dealings marked	4,102	4,619	4,316	4,241	4,375	4,328	4,515
Equity turnover £m.	—	67.59	97.93	87.66	86.90	70.75	84.68
Equity bargains total	—	16,425	15,395	16,558	16,116	16,313	11,899

10 am 489.8. 11 am 488.1. Noon 488.4. 1 pm 487.8.
2 pm 487.8. 3 pm 487.6.
Latest Index 01-246 8026.

*Nil=8.02.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. 1/7/35. Gold Mines 12/9/38. Ex-$ pm. index started June 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	67.92 (10/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	69.30 (13/11)	150.4 (28/11/47)	50.35 (3/1/75)
Ind. Ord.	535.5 (14/9)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.5 (14/8)	124.1 (29/11)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm.)	132.3 (14/8)	90.5 (18/4)	337.1 (3/4/74)	54.3 (25/8/76)

S.E. ACTIVITY

—	Dec. 12	Dec. 11
—Daily		
Gilt Edged	144.9	171.8
Industrials	143.2	160.5
Speculative	28.3	34.2
Totals	93.4	105.1
5-day Average		
Gilt-Edged	152.9	159.7
Industrials	149.2	149.2
Speculative	30.9	29.5
Totals	98.6	99.6

LONDON TRADED OPTIONS

Option	Ex'rc'se price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	950	14	3	46	—	64	—	925p
Com Union	130	21	—	24	3	28	—	149p
Com Union	140	12	14	16	—	22	—	,,
Cons Gold	180	6½	16	15	9	19	—	177p
Cons Gold	200	1¼	35	6	12	10	—	,,
Courtaulds	110	15	—	18½	5	22	—	123p
Courtaulds	120	7	37	12	—	15	—	,,
Courtaulds	130	2½	13	7	—	10	—	,,
GEC	280	63	17	75	—	—	—	339p
GEC	300	44	20	54	2	68	—	,,
GEC	330	20	35	33	—	46	—	,,
GEC	360	5½	45	16½	—	30	—	,,
Grand Met.	100	16½	10	19½	—	24½	—	115p
Grand Met.	110	7½	3	10½	10	15	—	,,
Grand Met.	120	2½	—	6	12	9½	—	,,
ICI	350	31	7	55	—	—	—	377p
ICI	360	22	4	30	—	43	—	,,
ICI	390	7	43	14	10	25	—	,,
ICI	420	1	60	6	10	15	—	,,
Land Secs	230	29	21	36	—	40	—	247p
Land Secs	240	10½	9	21	—	26	—	,,
Marks & Sp	90	4	—	7	—	9½	6	87p
Shell	550	33	1	52	—	62	—	578p
Totals			393		73		6	
		February		May		August		
Boots	220	4	5	9½	—	13	—	197p
Boots	240	2	4	4½	—	—	—	,,
RTZ	260	6	—	18	—	21	2	255p
Totals			9				2	

NEW HIGHS AND LOWS FOR 1978

NEW HIGHS (28)

BEERS (1)
Morland

BUILDINGS (3)
Beechwood — Nottingham Brick
Galliford Brindley

CHEMICALS (2)
Alginate Inds. — Halstead (J.)

STORES (1)
Stanley (A. G.)

ENGINEERING (3)
Baker Perkins — Wombwell Foundry
Williams (W.)

FOODS (1)
Bibby (J.)

INDUSTRIALS (5)
Christies Intl. — Stonehill
Parker Knoll A — Third Mile Inv.
Stag Furniture

LEISURE (1)
Man. Agency & Music

MOTORS (1)
Plaxton's

NEWSPAPERS (1)
Sharpe (W. N.)

PAPER (2)
Chapman (Balham) — Wace

PROPERTY (6)
Country & District — Lon. & Prov. Shop
Fairview Ests. — Peachey
Intereuropean — Prop. Sec. Inv.

MINES (1)
Mincorp

ENGINEERING (3)
British Northrop — Serck
Moss Engineering

FOODS (2)
Barrow Milling — Watson & Philip

INDUSTRIALS (1)
Abbey

INSURANCE (1)
Howden (A.)

PAPER (1)
Inveresk

PROPERTY (1)
McInerney

NEW LOWS (10)

ELECTRICALS (1)
Laurence Scott

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	2	65	11
Corpns., Dom. and Foreign Bonds	6	5	59
Industrials	165	406	957
Financial and Prop.	67	102	343
Oils	4	10	23
Plantation	4	2	26
Mines	17	64	59
Recent Issues	3	7	17
Totals	268	661	1,496

APPOINTMENTS

Finance chief at Tarmac

FINANCE CHIEF AT TARMAC

Mr. Graeme D. W. Odgers will be joining the Board of TARMAC on *January 1 and will succeed* Mr. Gerard Paris as group *finance director.* Mr. Paris is continuing as an executive director of Tarmac. Mr. Odgers comes from the General Electric Company where he is an associate director. He was born in South Africa but has worked in the UK *since 1962 when he joined Urwick* Orr and Partners, the manage*ment consultancy.* Subsequently, he became an investment executive with Hambros Bank and a director of Keith Shipton and Co. and C. T. Bowring (Insurance) Holdings. In 1970 he established a management consultancy, *Odgers and Co.,* where he was chairman until 1974 when he was appointed Director of the Industrial Development Unit of the Department of Industry.

★

Mr. G. C. Thompson has resigned from the Board of LONDON UNITED INVESTMENTS.

★

Three more appointments to the new SEVERN BARRAGE COMMITTEE which is to advise and assist in reaching a decision on whether to proceed with a scheme *for harnessing the tidal energy* of the Severn Estuary, have been made. They are: **Coun. Claude Draper**, member, Bristol City Council; **Prof. R. Millward**, professor of economics and chairman of the Department of Economics, *Sheffield University; and* **Coun. Graham Powell**, member, Gwent County Council.

★

Mr. Peter F. Davenport has been appointed to the Board of TARMAC ROADSTONE (SOUTHERN) as director of administration. **Mr. William R. Watson** has been appointed director of administration of KINGS and COMPANY, the Scottish-based subsidary of Tarmac's quarry products division.

★

At AMERICAN NATIONAL BANK AND TRUST COMPANY, **Mr. Michael E. Tobin** has been elected chairman from December 31, succeeding **Mr. Allen P. Stults**, who becomes chairman of the executive committee. **Mr. Keene B. Addington**, formerly executive *vice president,* was named president to succeed Mr. Tobin, who remains chief executive officer. Mr. Tobin joined the Bank, a subsidiary of Walter E. Heller Inter*national* Corporation, last February after 10 years as president of the Midwest Stock Exchange.

★

Dr. P. Lieftinck, who served in the Dutch Government from 1945-52 as Finance Minister, has been appointed special adviser on overseas affairs to the executive Board of CENTRALE RABOBANK. He is a former director of the *World Bank and International* Monetary Fund.

★

RELIANCE KNITWEAR GROUP *announces* the following appointments to the Boards of subsidiary companies of H. R. HOWARD & SONS. **Mr. T. Boyle** joins the Board as deputy managing director, and **Mr. D. Hornbuckle** joins the Board from January 1 as sales director. **Mr. M. Tagg**, previously marketing director of RELIANCE SPORTSWEAR is *promoted to managing director* from January 1. **Mr. R. Edson**, who was previously sales director companies. **Mr. T. Boyle** joins the Board of H. R. HOWARD AND SONS as deputy managing director of Drewry and Edwards becomes naging director of BARRALAN-managing director of BARRALAN-LEICESTER from January 1.

Following the acquistion of *ULTIMATE EQUIPMENT* by the Group, the Board of Ultimate in future will comprise **Mr. R. E. W. Newman**, **Mr. F. O. Kirk**, **Mr. W. T. Wilkins** and **Mr. R. R. Bundey** becomes company secretary.

★

Mr. Stanley J. Clarke has been appointed a non-executive direc*tor of CAMREX (HOLDINGS).* He is deputy chief executive of Smith & Nephew Associated Companies.

★

MINET HOLDINGS announces that **Mr. R. E. Stedman** has been *appointed a director from* January 1.

★

BIG THREE LINCOLN (UK), Glasgow-based welding equipment distributors, has appointed **Mr. Charles R. Hughes** as managing director and **Mr. Hugh Prior** as a director.

★

Mr. Peter Gee-Heaton has been appointed chairman and manag*ing* director of Gee & CO. (PUBLISHERS) in succession to **Mr. Percy Hughes** who died on December 1. Mr. Gee-Heaton joined Gee & Co. in 1948 and, for the past 30 years, has been associated with the company's *weekly professional journal,* The Accountant.

★

T.P.T., international paperboard packaging manufacturers *based* at Romiley, Cheshire, announces that **Mr. W. A. Jones**, corporate marketing director, will join the Board on January 1.

★

Mr. Eric Ellen, LONDON TRANSPORT'S chief transport planning officer, is to become chief secretary to the Executive from January 1. He succeeds Mr. *Paul Garbutt who is retiring.* Mr. Ellen has acted as a London Transport *consultant in several* transport studies for overseas undertakings, most recently in Mexico City.

★

Mr. Brian Stevenson has been appointed vice-president of GOTAAS-LARSEN SHIPPING CORP. and senior vice-president of *its subsidiary,* Gotaas-Larsen LNG, Inc., which markets the services of its liquefied natural gas carrier fleet. **Mr. Richard D. Fain** has been appointed vice-president, finance, and treasurer of Gotaas-Larsen, and **Mr. John Jordan** *has been appointed senior* director of corporate planning. **Mr. P. R. Alfano** has been named controller of the company, a subsidiary of IU International Corp., U.S. Born in England, Mr. Stevenson was assistant treasurer *of Occidental Petroleum Corp. in* London before joining IU in 1973.

FT-Actuaries changes

With effect from December 31, the number of securities which make up the FT-Actuaries All-share index is to be increased from its present 673 to 750.

The move reflects a decision to expand the sub-sections other than those which make up the 500-share group by including companies with market capitalisation exceeding the level for new constituents in the 500 group.

The biggest expansion will take place in the Investment Trust index which, from the beginning of 1979, will be based on 111 companies compared with the present 50. The number of constituents in the Property sub-section is to be increased from 31 to 43, while those in Miscellaneous Financial and Overseas Traders will go up by 3 to 10 and 1 to 20 respectively.

The constituents to be intro*duced at the year-end are:*

Group 69 (Properties)

Beaumont Properties; County and District Properties; Estates Property Investment; Evans of Leeds; Imry Property Holdings; Laing Properties; London and *Provincial Shop; Lynton Holdings;* Property Security Investment; Town Centre Securities; Trafford Park Estates; Warner Estate Holdings.

Group 70 (Miscellaneous Financial)

Gresham Investment Trust; Grindlays Holdings; Mills and *Allen International.*

Group 71 (Investment Trusts)

Alliance Investment; Anglo Scottish IT; Ashdown IT; Atlantic Assets Trust; Bankers IT; Berry Trust; Bishopsgate Trust; British American and General Trust; *British IT; Broadstone IT;* Brunner IT; CLRP IT; Capital and National Trust; Cardinal IT; Carliol IT; Cedar IT; Charter Trust and Agency; City and International *Trust; Continental Union* Trust; Dundee and London IT; Edinburgh American Assets Trust; Electric and General Investment; English and Scottish Investors; *Estate Duties IT;* GT Japan IT; General Consolidated IT; General Funds IT; General Investors and Trustees; Glasgow Stockholders' Trust; Glendevon IT; Govett European Trust; *Hambros IT;* Hume Holdings; International IT; "Investing in Success" Equities; Jardine Japan IT; Law Debenture Corporation; London and Holyrood Trust; London and Lomond IT; London and Montrose IT; *Moorside Trust;* Nineteen Twenty-Eight IT; North Atlantic Securities Corporation; Pentland IT; River and Mercantile Trust; River Plate and General IT; Romney Trust; *Rothschild IT;* Saint Andrew Trust; Scottish Ontario Investment; Second Great Northern IT; Sterling Trust; Technology IT; Temple Bar IT; Throgmorton Trust; Trans-Oceanic Trust; Tribune IT; Trust Union; United *States and General Trust;* Winterbottom Trust; Yeoman IT.

Group 91 (Overseas Traders)

McLeod Russel.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec. 5	Dec. 18	Mar. 8	Mar. 20
Dec. 19	Jan. 8	Mar. 22	Apr. 3
Jan. 9	Jan. 22	Apr. 5	Apr. 18

For rate indications see end of Share Information Service

Money was given for the call in Selection Trust, Premier Oil, Armour Trust, Assam Trading B, Burmah Oil, Electronic Machine, Wilson Bros., Western England Trust, Cadbury Schweppes, Wilmot Breeden, English Property, F.N.F.C., Stanley Gibbons and *U.D.T.* Puts arranged included Ladbroke, Peachey and Petbow, while doubles were done in Premier Oil, Barker and Dobson, Wilmot Breeden, Burmah Oil, Shell and English Property.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
Burmah Oil	£1	8	82	—	89	42
Lucas Inds.	£1	8	302	−8	336	240
BP	£1	7	924	−6	954	720
GEC	25p	7	338	−3	349	233
GUS A	25p	7	324	−2	340	256
ICI	£1	7	374	−5	421	328
Metal Box "New"	Nil/pd.	7	56pm	−4	70pm	56pm
Beecham	25p	6	624	−11	726	591
English Property	50p	6	37	—	51	27
P. & O. Defd.	£1	6	81	−3	118	76½
Shell Transport	25p	6	576	−2	602	484
Unilever	25p	6	552	−6	602	476
BATs Defd.	25p	5	237	—	403	227
Barclays Bank	£1	5	370	−1	372	296
EMI	50p	5	149	−2	190	130

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P.E. Ratio
42½	F.P.	24/11	48	43	Arncliffe Hldgs.	44	......	2.56	2.4	8.7	7.1
A$0.50	F.P.	—	78	61	Ashton Mining 50c	76	−2	—	—	—	—
A$1.25	F.P.	—	106	100	††Aust. Farming A$1	102	......	—	—	—	—
155	F.P.	10/1	175	171	Harris Queensway 20p	173	......	7.8	3.1	6.7	7.2
**	F.P.	—	16½	15½	Hunt & Moscrop Defd.	15½	......	—	—	—	—
29	F.P.	5/1	31	29	Kitchen Queen 10p	30	−½	1.34	5.4	6.7	6.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
£99¾	F.P.	—	99¾	99⅛	Anglesey Variable 1983	99¾	......
§	£10	26/1	12½	11¾	Colne Valley Water 8% Red P. Prf. 1983	12½	......
[illegible]	F.P.	16/11	117	101	Crosby House 10% Conv. '87-90	117	......
100p	Nil	28/12	1¼pm	¼pm	Findlay 8% Cuv. Cum Red. Prf.	¼pm	......
100p	Nil	5/1	5pm	2pm	Hawley-Goodall 12% Cnv. Uns. Ln. '86-88	4pm	−1
[illegible]	[illegible]	22/12	99p	98p	Newman Inds. 10½% Acc. Pref.	98p	......
[illegible]	£10	25/1	9½	9	Rickmansworth & Uxbridge Water 7% '85	9¼	......
97p	F.P.	5/1	99p	98p	Seascope 10½% Pref.	98p	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ▣	1978 High	1978 Low	Stock	Closing Price p	+ or −
560	F.P.	8/12	13/1	645	568	Beecham	633	−10
17	Nil	15/12	26/1	3¼pm	2¼pm	Boulton (Wm.)	3pm	......
550	F.P.	6/12	21/12	414	388	Brown (J.)	388	−8
67	F.P.	29/11	5/1	77	71½	Capper-Neill	75	......
105	Nil	15/12	12/1	8pm	2pm	Clifford (Chas.)	7pm	+½
93	Nil	15/12	12/1	14pm	8pm	Dixon (D.)	8pm	−4
45	Nil	3/1	9/2	3pm	2pm	Foster (John)	3pm	+1
150	F.P.	8/12	12/1	147	140	Hoskins & Horton	145	......
125	Nil	15/12	12/1	36pm	34pm	M.L. Holdings	30pm	......
250	Nil	3/1	9/2	70pm	56pm	Metal Box	56pm	−4
185	Nil	18/12	10/1	45pm	25pm	Stothert & Pitt	40pm	+2
62	Nil	18/12	15/1	14pm	5pm	Tern Consulate	12pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ||| Introduction. □ Issued to former preference holders. ▣ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS

GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Groups & sub-sections	Tues., Dec. 12, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Mon., Dec. 11 Index No.	Fri., Dec. 8 Index No.	Thurs., Dec. 7 Index No.	Wed., Dec. 6 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	239.63	−0.9	16.68	5.41	8.21	241.91	241.83	239.63	240.37	203.56
2	Building Materials (27)	209.10	−0.9	17.91	6.14	7.69	210.92	210.46	210.85	210.40	186.48
3	Contracting, Construction (28)	380.30	−1.2	19.98	4.27	7.19	384.89	382.76	383.94	381.89	327.69
4	Electricals (15)	564.97	−1.0	13.27	3.35	10.38	570.67	564.98	555.58	563.31	442.19
5	Engineering Contractors (14)	370.56	−0.5	17.59	5.81	7.73	372.32	371.22	372.54	372.17	288.47
6	Mechanical Engineering (72)	186.23	−0.8	18.11	6.02	7.37	187.79	187.87	186.96	186.78	158.23
8	Metals and Metal Forming (16)	162.95	−1.3	16.77	8.77	8.29	165.05	165.34	164.46	164.99	157.89
	CONSUMER GOODS										
11	(DURABLE) (53)	213.18	−1.2	16.52	5.03	8.07	215.70	213.57	212.65	210.77	188.23
12	Lt. Electronics, Radio, TV (16)	269.27	−1.2	13.84	3.81	10.13	272.45	268.34	266.47	262.98	223.58
13	Household Goods (12)	171.04	−0.5	17.66	6.66	7.77	171.90	171.21	171.00	170.91	180.43
14	Motors and Distributors (25)	123.27	−1.3	21.05	6.83	5.96	124.92	124.68	124.64	124.32	115.69
	CONSUMER GOODS										
21	(NON-DURABLE) (171)	212.31	−0.8	15.80	5.94	8.52	214.08	213.55	213.22	212.65	199.15
22	Breweries (14)	234.57	−0.3	14.46	6.08	9.62	235.19	234.87	234.44	231.99	233.08
23	Wines and Spirits (6)	285.98	−1.2	15.40	5.03	9.53	289.52	288.09	288.22	289.90	238.58
24	Entertainment, Catering (17)	274.56	−0.8	13.50	6.41	10.80	276.77	273.61	272.76	269.73	245.95
25	Food Manufacturing (19)	206.30	−1.2	18.41	5.44	7.22	208.73	208.60	210.05	209.31	198.89
26	Food Retailing (15)	229.65	−1.6	13.68	5.15	10.22	233.29	229.69	230.56	228.86	206.14
32	Newspapers, Publishing (12)	379.66	+0.1	21.19	6.40	6.66	379.21	375.96	377.89	375.56	334.62
33	Packaging and Paper (15)	132.99	−1.0	19.16	7.92	6.81	134.31	134.09	134.18	134.45	125.27
34	Stores (40)	197.66	−0.7	11.88	4.78	12.11	199.08	199.35	197.98	198.06	198.18
35	Textiles (24)	183.32	−0.5	17.49	7.96	7.40	184.20	183.61	182.30	182.43	168.84
36	Tobaccos (3)	240.09	−0.8	23.11	7.82	5.12	242.03	242.22	241.74	241.74	220.45
37	Toys and Games (6)	94.47	−1.0	23.36	6.84	5.05	95.38	95.50	96.76	95.97	100.63
41	OTHER GROUPS (99)	199.27	−0.9	15.65	6.21	8.20	201.04	200.53	200.94	200.06	181.96
42	Chemicals (19)	283.20	−0.8	16.15	6.68	8.06	285.46	285.28	285.52	284.65	261.70
43	Pharmaceutical Products (7)	247.48	−1.2	11.21	4.70	10.80	250.55	250.73	251.45	248.37	[illegible]
44	Office Equipment (6)	132.29	−0.9	18.37	5.76	6.49	133.45	134.19	135.20	135.65	124.21
45	Shipping (10)	410.56	−1.6	14.73	7.40	8.61	417.20	418.55	421.20	419.09	457.67
46	Miscellaneous (57)	216.29	−0.6	17.54	6.54	7.54	217.62	215.69	215.80	215.32	200.15
49	INDUSTRIAL GROUP (495)	222.83	−0.9	16.04	5.80	8.33	224.84	224.09	223.65	223.18	204.49
51	Oils (5)	516.43	−0.5	13.53	3.89	8.02	519.05	524.52	527.58	533.26	476.42
59	500 SHARE INDEX	247.24	−0.8	15.66	5.51	8.28	249.33	249.02	248.82	248.88	227.04
61	FINANCIAL GROUP (100)	170.55	−0.8	—	5.73	—	171.92	171.94	171.68	172.27	166.59
62	Banks (6)	199.79	−1.2	23.37	5.90	6.42	202.21	201.18	200.18	201.39	186.91
63	Discount Houses (10)	218.14	+0.3	—	8.11	—	217.48	216.07	216.07	216.07	207.67
64	Hire Purchase (5)	159.13	+2.2	15.31	5.20	8.62	155.78	154.87	153.88	153.40	165.11
65	Insurance (Life) (10)	136.62	−1.5	—	6.87	—	138.73	141.00	140.38	142.37	139.35
66	Insurance (Composite) (7)	125.40	−1.2	—	6.99	—	126.89	127.00	127.26	128.24	132.76
67	Insurance Brokers (10)	314.66	−1.0	15.20	5.32	9.39	317.72	320.93	326.18	327.99	336.51
68	Merchant Banks (14)	79.19	+0.1	—	6.19	—	79.09	79.10	79.87	77.89	82.27
69	Property (31)	268.33	−0.1	3.56	2.84	46.46	268.61	266.45	265.39	263.33	238.70
70	Miscellaneous (7)	111.71	+0.4	22.65	7.42	5.71	111.23	111.36	111.55	110.95	106.40
71	Investment Trusts (50)	211.45	−0.1	—	4.97	—	211.71	212.13	212.15	211.32	205.98
81	Mining Finance (4)	104.73	+1.6	17.95	6.80	6.86	103.04	102.77	103.13	103.72	88.56
91	Overseas Traders (19)	301.91	+0.2	16.26	7.78	7.71	301.38	301.19	300.49	299.47	279.92
99	ALL-SHARE INDEX (673)	226.35	−0.7	—	5.60	—	228.02	227.82	227.63	227.71	210.35

FIXED INTEREST PRICE INDICES

	British Government	Tues., Dec. 12	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	102.99	−0.09	0.21	9.19
2	5-15 years	111.22	−0.31	—	10.45
3	Over 15 years	117.08	−0.23	—	12.79
4	Irredeemables	122.95	—	—	13.54
5	All stocks	109.95	−0.19	0.09	10.89

FIXED INTEREST YIELDS

Br. Govt. Av. Gross Red.

			Tues., Dec. 12	Mon., Dec. 11	Year ago (approx.)
1	Low Coupons	5 years	9.61	9.40	7.35
2		15 years	11.58	11.34	9.57
3		25 years	12.11	12.12	10.25
4	Medium Coupons	5 years	12.48	12.43	9.78
5		15 years	12.67	12.64	10.57
6		25 years	12.67	12.64	10.71
7	High Coupons	5 years	12.58	12.50	10.21
8		15 years	13.23	13.19	11.55
9		25 years	13.25	13.21	11.60
10	Irredeemables		11.94	11.93	10.24

		Tues., Dec. 12 Index No.	Tues., Dec. 12 Yield %	Mon., Dec. 11	Fri., Dec. 8	Thurs., Dec. 7	Wed., Dec. 6	Tues., Dec. 5	Mon., Dec. 4	Fri., Dec. 1	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	55.09	13.46	55.08	55.02	55.02	55.21	55.27	55.19	55.16	61.92
16	Investment Trust Prefs. (15)	50.87	15.75	51.13	51.13	51.13	51.16	51.16	51.16	51.16	65.49
17	Coml. and Indl. Prefs. (20)	72.17	15.02	71.66	71.43	71.44	71.86	71.86	71.83	71.83	77.50

‡ Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

INSURANCE AND PROPERTY BONDS

J. Finlay International	22.8	24.5	.....	2.08
Accum. Units	27.1	29.1	.....	2.08
J. Finlay Income	36.3	39.0	.....	8.03
J. Finlay Euro. Fin.	26.6	28.6	.....	2.45
Accum. Units	31.5	33.8	.....	2.45
J. Finlay Fd.In.Tst.	27.8	29.9	.....	4.24
Accum. Units	32.3	34.8	.....	4.24

10-14, West Nile Street, Glasgow. 041-204 1321

Prices Dec. 6. Next dealing Dec. 13.

CORAL INDEX: Close 481-486

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†Property Growth	11¾%
†Vanbrugh Guaranteed	10.75%

†Address shown under Insurance and Property Bond Table.

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd SUS14.98 +0.12 —

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

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LOANS

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Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly...	23½	.....	—	—
41	35	Do 5pc Pref.	39xd	.....	—	—
98	98	Chilean Mixed ..	98	.....	—	13.10
415	350	German Yng 4½pc.	411	.....	4½	—
54	46	Greek 7pc Ass ...	50	.....	3½	17.20
51	46	Do 6pc 28 Stab Ass...	49	.....	6	16.24
44	40	Do 4pc Mixed Ass...	40	.....	4	15.13

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 37⅜% (based on US$1.9710 per £)
Conversion factor 0.7277 (0.7163)

CANADIANS

S.E. List Premium 37⅜% (based on $2.3199 per £)

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CENTRAL AFRICAN

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MINES—Continued

AUSTRALIAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
[illegible]	[illegible]	Acmex 25c	10		—	—	—
15	[illegible]	Bougainville 50 Toea	125	−1	†Q8c	1.4	4.0
140	[illegible]	BH South 50c	116	...	—	—	—
131	[illegible]	Central Pacific	450		—	—	—
220	150	Conzinc Riotinto 50c	280		‡Q10c	2.2	[illegible]
236	148	[illegible]	19		—	—	—
27	9½	Endeavour 20c	54		—	—	—
75	45	G.M. Kalgoorlie	35		—	—	—
68	13	Hampton Gold	158		—	—	—
158	81	Hamptn Areas 5p	27		†2.55	2.0	3.4
40	10	Metals Ex. 50c	196	+1	—	—	—
223	125	M.I.M. Hldgs. 50c	15	−2	Q9c	1.7	2.8
22	10	Minefields Expl.	33		—	—	—
40	10	Mount Lyell 25c	5½		—	—	—
7	1½	Newmetal 10c	108	−½	—	—	—
143	79	North B. Hill 50c	11		Q6c	1.3	4.6
16½	8½	Nth. Kalgurli	27	−½	—	—	—
50	12	Nth. West Mining	127	−1	—	—	—
178	115	Oakbridge SA1	24	+1	Q12c	1.9	10.7
42	10	††Otter Expl. N.L.	64		—	—	—
70	30	Pacific Copper	800		—	—	—
£15½	725	Pancont'l 25c	18	−25	—	—	—
40	12	Paringa Min. Ex. 5p	440		—	—	—
570	310	Peko-Wallsend 50c	175	−4	Q15c	ϕ	2.1
300	50	Southern Pacific	136	−5	—	—	—
164	84	Western Mining 50c	75	+1	Q3c	0.7	1.4
100	35	Whim Creek 20c		.	—	—	—

TINS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
30	22	Amal. Nigeria	23		2.87	1.3	18.2
420	240	Ayer Hitam SM1	310		Q300c	0.5	20.8
60	35	Beralt Tin	55		14.0	4.6	11.4
305	190	Berjuntai SM1	230	.	Q110c	1.0	21.5
185	111	Geevor	165		45.57	5.8	5.1
11	6½	Gold & Base 12½p	10	..	—	—	—
350	220	Gopeng Cons.	300	.	†15.36	0.9	7.6
320	130	Hongkong	312xd		12.5	ϕ	6.0
93	73	Idris 10p	73	.	‡12.0	1.6	‡
11	7	Jantar 12½p	9½	.	—	—	—
84	62	Kamunting SM0.50	63	..	†Q12.5c	2.1	4.3
640	450	Killinghall	620		Q12.36	ϕ	25.7
470	280	Malay Dredging SM1	360	−10	Q175c	0.7	10.4
79	40	‡Pahang	44	...	Q0.62c	ϕ	0.3
78	50	Penckalen 10p	60	.	6.60	1.3	16.4
270	165	Petaling SM1	210xd	−2	Q120c	ϕ	12.3
87	49	Saint Piran	81	−1	2.03	6.5	3.7
70	47	South Crofty 10p	62	+2	†4.19	2.0	10.3
245	140	South Kinta SM0.50	175	−5	‡Q145c	0.6	17.8
340	220	Sthn Malayan SM1	275	−5	Q190c	1.0	14.8
240	134	Sungei Besi SM1	215xd	+9	mQ65c	5.3	6.5
85	55	Supreme Corp SM1	65	...	‡Q10c	—	3.3
100	84	Tanjong 15p	100	...	6.60	0.8	9.8
106	74	Tongkah Hrbr SM1	85		Q55c	0.7	9.4
270	148	Tronoh SM1	205	+5	‡Q88c	1.6	‡

COPPER

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
104	54	Messina R0.50	56	+1	—	—	—

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
68	35	Barymin	57	+4	—	—	—
17	6	Burma Mines 17½p	12	.....	—	—	—
300	175	Cons. Murch. 10c	175	...	‡Q30c	2.6	‡
465	245	Northgate C$1	420	−5	—	—	—
263	164	R.T.Z.	275	.....	9.5	2.8	6.0
90	30	Sabina Inds. C$1	44	+2	—	—	—
£12	687	Tara Exptn. $1	737	+37	—	—	—
185	120	Yukon Cons. C$1	165	+25	Q7c	2.9	2.0

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
$15¼	$10¼	Buffels R1	$11⅝	−⅛	Q170c	1.8	17.6
$11¼	630c	East Drie R1	890c	..	†078c	1.7	10.1
585c	330c	East Rand Prp	375c	−5	—	—	—
$28¾	$16½	F.S. Geduld 50c	$18½	−¼	Q315c	ϕ	19.6
$15½	975c	Pres. Brand 50c	$11⅞	−⅛	Q150c	ϕ	15.6
$15⅜	900c	St. Helena R1	$10⅛	−¼	Q190c	ϕ	21.6
465c	313c	Stilfontein 50c	415c	.	†022c	2.3	6.1
$17⅞	$16¼	Vaal Reefs 50c	$17⅞	−½	Q115c	3.3	7.6
$37	$25	West Drie R1	$29⅝	−⅛	Q385c	1.7	15.0
$31¼	$19	West Hldgs. 50c	$21½	−½	Q415c	ϕ	22.3
$12½	895c	Western Deep R2	$10½	−⅝	Q82.5c	2.4	9.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution: bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ♙ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ℘ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim, reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‖ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✠ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 42

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Allans Inv. 20p	26	..
Ash Spinning	67	
Bertam	15	..
Bdg'wtr. Est. 50p	323	.
Clover Croft	28	....
Craig & Rose £1	615xd	..
Dyson (R. A.) A	35	..
Ellis & McHdy.	64	....
Evered	23	..
Fife Forge	52	..
Finlay Pkg. 5p	21	..
Graig Ship. £1	140	.
Higsons Brew	74	.
Holt (Jos) 25p	252	...
I.O.M. Stm. £1	192	....
N'thn. Goldsmith	70	.
Pearce (C. H.)	198	.
Peel Mills	21	.
Sheffield Brick	55	...
Sheff. Refrshmt.	67	.....
Sindall (Wm.)	117	......

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£90	
Alliance Gas	97	−1
Arnott	350xd	+3
Carroll (P.J.)	97	.....
Clondalkin	98	...
Concrete Prods.	130	...
Heiton (Hldgs.)	41	...
Ins. Corp.	160	.....
Irish Ropes	105	.
Jacob	50	−2
T.M.G.	195	..
Unidare	80	.....

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Tube Invest.	30
A.P. Cement	18	"Imps"	6	Unilever	35
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	11	Inveresk	8	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	35	Ladbroke	17	**Property**	
Boots	15	Legal & Gen.	14	Brit. Land	3¼
Bowaters	16	Lex Service	7	Cap. Counties	4½
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lots"	4	Intereuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	16
Burton 'A'	12	Lonrho	5	MEPC	12
Cadburys	5	Lucas Inds.	25	Peachey	8
Courtaulds	10	Lyons (J.)	10	Samuel Props.	9
Debenhams	8	"Mams"	7	Town & City	1¼
Distillers	15	Mrks. & Spncr.	10	**Oils**	
Dunlop	7	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	N.E.I.	12	Burmah Oil	5
E.M.I.	14	Nat. West Bank	22	Charterhall	3
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P & O Dfd.	8	Ultramar	20
Glaxo	40	Plessey	8	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	20	Rank Org. 'A'	18	Cons. Gold	14
Guardian	18	Reed Intnl.	12	Rio T. Zinc	16
G.K.N.	22	Spillers	3		
Hawker Sidd.	30	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday December 13 1978

Times to see union chiefs today

TIMES NEWSPAPERS management and union leaders will be brought together this afternoon for the first time since the company suspended publication almost two weeks ago.

The breakthrough came after Mr. Albert Booth, the Employment Secretary, who will be chairman of today's meeting, had held exploratory talks with print union general secretaries yesterday.

Today's meeting will be significant in getting management representatives and leaders of the National Graphical Association round the same table. The union refuses to negotiate with Times Newspapers unless the company withdraws a demand that journalists and advertising staff must eventually have the right of direct input into a new computer-based composing system.

Mr. Booth first met Mr. Joe Wade, general secretary of the NGA, yesterday, and was later visited by the leaders of the other print unions.

Times Newspapers says that all publication of The Times, the Sunday Times and the three Times supplements will remain suspended until it secures agreement from all unions on a wide range of industrial relations reforms, including the new technology proposals.

When the company suspended publication on November 30 it announced that it would delay sending dismissal notices to those staff, the majority, who had not accepted its proposed new agreements for a fortnight, to allow time for further talks.

The notices are due to go out at the end of this week.

Provincial offer

With the strike by National Union of Journalists members on local newspapers in its second week, the Newspaper Society told Mr. Booth yesterday that rates of pay for Provincial journalists had become uncompetitive.

The society, which represents Provincial managements, has said that it is prepared to pay increases of about 9 per cent provided the Government can be persuaded to make the journalists a special case.

It would be a matter of serious public concern, the society said in a submission, if Provincial newspaper were merely to become training grounds.

An average Provincial journalist joining a national newspaper in Fleet Street could expect a pay increase of 44 per cent.

Rates of pay were higher in radio, television, public relations, magazines and in some skilled production unions.

The submission is supported by the Institute of Journalists.

Weather

UK TODAY

RAIN, with hail and thunder in places. Gales near western coasts.

London, E., S.E., N.E. England, N. and S. Midlands, E. Anglia Shipping.

Rain Hail and thunder. Some bright intervals. Strong winds. Max. 10C (50F).

Cent. S., S.W., N.W. England, W. Midlands, Lakes, Wales, Channel Is.

Heavy showers with hail and thunder. Gales near western coasts. Max. 11C (52F).

Scotland, Scottish Islands, Isle of Man, N. Ireland

Cloudy, thunder showers and gales on coasts. Max. 8C (46F).

Outlook: Rain. Some bright intervals. Windy.

From the London Weather Centre

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstdm.	R	11	52	Madrid	C	14	57
Athens	S	15	59	Manchstr.	R	10	50
Bahrain	C	23	73	Melbourne	C	18	64
Barcelona	S	19	66	Mexico C.	C	17	63
Beirut	C	14	57	Milan	R	1	34
Belfast	R	8	46	Montreal	Sn	−4	25
Belgrade	S	11	52	Moscow	S	−14	7
Berlin	C	6	43	Munich	F	12	54
Brmghm.	F	11	52	Newcastle	R	9	48
Bristol	R	11	52	New York	S	2	36
Brussels	C	11	52	Oslo	Sn	−3	27
Budapest	C	2	36	Paris	R	11	52
B. Aires	S	26	79	Perth	S	26	79
Cairo	R	16	60	Prague	C	3	38
Cardiff	F	9	48	Reykjavik	F	9	48
Chicago	S	3	37	Rio de J'o	S	30	86
Cologne	C	12	54	Rome	F	15	59
Copnhagn.	C	4	39	Singapore	S	30	86
Dublin	S	10	50	Stockholm	C	1	34
Edinburgh	S	9	48	Strasbrg.	F	14	57
Frankfurt	F	11	52	Sydney	C	25	77
Geneva	C	11	52	Tehran	C	10	50
Glasgow	F	10	50	Tel Aviv	R	16	61
Helsinki	Sn	−3	27	Tokyo	S	9	49
H. Kong	S	19	66	Toronto	C	1	34
Jo'burg	S	25	76	Vienna	C	3	37
Lisbon	C	18	64	Warsaw	C	−1	30
London	R	10	50	Zurich	S	10	50
Luxemb'g	R	9	48				

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	17	63	Jersey	F	11	52
Algiers	S	22	72	Las Plms.	S	22	72
Biarritz	F	19	66	Locarno	R	4	39
Blackpool	R	9	48	Majorca	S	18	64
Bordeaux	R	16	61	Malaga	C	19	66
Boulogne	C	10	50	Malta	C	18	64
Casablanca	C	22	72	Nairobi	R	20	68
Cape Town	S	26	79	Naples	C	10	50
Corfu	C	16	61	Nice	F	15	59
Dubrovnik	C	12	53	Nicosia	F	18	64
Faro	F	19	66	Oporto	C	16	61
Florence	C	15	59	Rhodes	S	15	59
Funchal	F	20	68	Salzburg	S	7	45
Gibraltar	R	18	64	Tangier	C	19	66
Guernsey	F	11	52	Tenerife	F	18	64
Innsbruck	F	8	46	Tunis	F	20	68
Inverness	C	9	48	Valencia	C	19	66
I. of Man	R	9	48	Venice	R	5	41
Istanbul	S	9	48				

S—Sunny. C—Cloudy. R—Rain. F—Fair. Sn—Snow.

ICI plans 50% rise in prices of petrochemicals

BY SUE CAMERON, CHEMICALS CORRESPONDENT

ICI IS planning to raise its basic petrochemical prices by as much as 50 per cent in an attempt to counteract the effect of rising feedstock costs on profits.

The group said yesterday that increases in the price of naphtha—a basic petrochemical feedstock—were expected to cost it an extra £70m during the next year. Mr. John Harvey-Jones, a deputy chairman, said this could "dent" the group's profits unless steps were taken to pass on the increases.

ICI estimates that the extra cost of naphtha to the West European chemical industry as a whole will be approximately £1bn next year.

The group said that although it had expected naphtha prices to go up it had not predicted they would go so high so quickly. It added that at one point this year naphtha costs rose by 50 per cent, although the overall 1978 increase is put at nearer 30 per cent.

To compensate for the "crisis" ICI wants to increase its ethylene prices by 23 per cent, ethylene glycol prices by 40 per cent, benzene and paraxylene prices 51 per cent and phenol prices by 38 per cent.

Concern

Increases of this size will doubtless cause concern to the troubled downstream plastics and fibre industries—plastics, fibres, detergents and paints are the chief markets for basic petrochemicals—but the group said that in spite of the naphtha price increases industry and Government statistics showed that chemical prices rose by only 5 per cent.

"This situation obviously cannot continue and the increased costs will have to be passed on to the customers. We must recover these enormous costs. But while this instability in the market continues we have the opportunity to improve profitability."

The group added that it expected its competitors to increase their petrochemical prices in line with the rise in naphtha prices. It said the main reason for the increase in naphtha costs was the shortage of light crudes from which the greatest quantities of naphtha are produced, the drying up of alternative naphtha supplies and the instability of the dollar.

"The outlook for 1979 is that there will still be competing demands for the light end of the oil barrel. Where products become short due to lack of capacity or available raw materials, price rises higher than those merely relating to naphtha costs may well occur—and they are needed in order to restore industry profitability even to modest levels."

ICI said it had applied to the Price Commission to put up the prices of its olefins, aromatics and ethylene glycol, plus derivatives.

News Analysis Page 8

Balfour Beatty wins £100m Hong Kong order

BY MAX WILKINSON

BALFOUR BEATTY, a member of the BICC group, has won a £100m contract for an electrical transmission system in Hong Kong.

The contract, from the China Light and Power Company, is for a 400kV system in Kowloon and the New Territories of Hong Kong.

The order was gained with Government co-operation and Mr. Alan Williams, Industry Minister, co-ordinated the efforts which involved the British Trade Commission, Export Credits Guarantee Department and Lazards, the Industry Department's advisers.

Some of the work is to be subcontracted to BICC subsidiaries and to Parsons Peebles, the transformer and reactor manufacturers.

Mr. Williams said yesterday: "I am delighted that negotiations have been successfully concluded, and that UK industry has again been able to secure valuable business in this important market. The order will bring substantial work to factories in Hereford, Erith, Prescot and Edinburgh."

Loans support

In January it was announced that the General Electric Company and Babcock and Wilcox had been given a £100m contract for two 350 MW generating sets for China Light and Power.

The current order for the transmission system is the next stage in the development programme of the new Castle Peak power station, in Kowloon.

The order is a turnkey package for the design, supply and installation of overhead transmission lines, underground supertension cables, transformers and reactors.

British Electricity International, the Central Electricity Generating Board's overseas consultancy, will advise China Light and Power.

The deal was financed through a syndicate of banks arranged by Henry Schroder Wagg and Company. Financing will be supported by the ECGD, but full details of the loans will not be announced until the contracts are signed, probably in February.

It is thought about £75m is likely to be eligible for ECGD support and the banks' interest rate will be about 7.75 per cent.

Tesco sets up Irish venture in partnership with Gubay

BY CHRISTINE MOIR

TESCO, the High Street supermarket group, has launched its first overseas venture—a partnership in Ireland with Mr. Albert Gubay, the controversial founder of the Kwiksave discount grocery group.

Mr. Gubay left the UK suddenly in 1973 for New Zealand after selling his large minority stake in Kwiksave without notifying the company—a move which led to a rebuke from the Department of Trade.

In New Zealand he established a chain of discount grocery stores under the name of "3 Guys" to a background of considerable grumbling from local retail groups about the discounts he obtained from major suppliers.

In 1976 he repeated the move in Ireland, opening six stores within a matter of months and arousing fierce outbursts from his competitors.

Now Tesco is to take over the controlling interest of "3 Guys" in Ireland with an option to buy the remaining 49 per cent within five years. Tesco has paid for the initial 51 per cent in shares. The 7.183m shares were placed in the market yesterday for £3.9m.

In addition to the six stores already operating, "3 Guys" has nine other sites with planning permission for discount retailing and is in the process of acquiring a further 10 sites.

Impressed

Mr. Leslie Porter, Tesco's chairman, said that once the 26 sites were in use the group hoped to capture between 30 and 35 per cent of the Irish grocery market. At present "3 Guys" has less than 2 per cent. It expects to make £2m profit on its first 10 stores.

The price Tesco has paid for the stake in "3 Guys" is not, however, linked to profits but to present net assets, according to Mr. Porter. The properties already owned by the chain have recently been valued at £12.85m, he said.

Mr. Porter is obviously very impressed with Mr. Gubay's "pile 'em high and sell 'em quick" policies. Mr. Gubay has "the lowest operating costs in the world," he said.

The plan now is for Tesco to open up its own "Home 'n Wear" shops adjacent to "3 Guys" outlets on the new development sites.

Mr. Porter also hinted that there was a chance of beginning a "3 Guys" operation in the UK next year. (Mr. Gubay's contract forbids him to set up in opposition to Tesco in either the UK or Ireland).

The controversy Mr. Gubay aroused over the special discounts he demanded from suppliers is evidently behind the deal wth Tesco.

Unless it were a Tesco subsidiary, there was a fear that "3 Guys" might not have obtained the same terms from Tesco's suppliers.

Close sanctions vote likely after Tory amendment

BY RICHARD EVANS, LOBBY EDITOR

THE COMMONS vote tonight on the operation of Government sanctions against companies that defy the 5 per cent pay guideline could be extremely close, after the tabling last night of a Conservative amendment aimed at attracting maximum support from all minority parties.

The indications are that the amendment will gain the backing of the Liberals and most nationalists, but the Government could scrape home if Mr. Enoch Powell and his fellow Ulster Unionists abstain.

The Tory amendment stresses the need to achieve a further reduction in the present high rate of inflation, but declines to support the Government's "arbitrary use of economic sanctions against firms and workers who have negotiated pay settlements beyond a rigid limit Parliament has not approved."

Even though the amendment is skilfully phrased there is little doubt that the Government has grasped the initiative since last week's Commons debacle when the sanctions debate had to be postponed.

The Labour Left, which was determined to abstain in force then and inflict a humiliating defeat on the Government, is now likely to come to heel on the grounds that the Tory amendment is hypocritical and fails to spell out the party's alternative policy.

Liberal support

The greatest tactical problem faces the Ulster Unionists and the nationalists who voted for a similar censure motion moved by the Conservatives last February. The Government won then only because the Lib-Lab pact was operating.

This time all the Liberals, with the likely exception of Mr. Jeremy Thorpe, who may be absent because of the Minehead committal hearing, are expected to vote with the Tories.

A defeat would be a major humiliation for the Government and would call into question its whole pay strategy, but it would not result in an immediate General Election.

It would be open to the Government to table a motion of confidence, which it would almost certainly win. Neither the Ulster Unionists nor the nationalists are anxious for an early election because of the referendums on March 1 and the legislation increasing the number of Northern Ireland seats at Westminster.

Government speakers in the debate will be Mr. Roy Hattersley, Secretary for Prices and Consumer Protection, and Mr. Joel Barnett, Chief Secretary to the Treasury. Mr. James Prior, Shadow Employment spokesman, and Sir Geoffrey Howe, Shadow Chancellor, will lead for the Opposition and Mr. David Steel will intervene for the Liberals.

Lloyd's to examine its own powers

BY JOHN MOORE

LLOYD'S of London, the world's leading insurance market, is forming a working party to examine its own self-regulatory powers. It will be headed by an as yet unannounced distinguished public figure.

Lloyd's has faced much comment and criticism over the club-like system of solving its own problems and internal disputes.

Many Lloyd's professionals are arguing that Lloyd's has become too big for it to handle its disputes, and police the market along club lines.

Earlier this year, Mr. Jonathan Aitken, MP for Thanet East, said in Parliament that Lloyd's should try to improve its methods of self-regulation and self-policing. However, he was not in favour of direct Government intervention or outside regulation.

Criticism

The decision to form the working party was taken by the Committee of Lloyd's at the beginning of September. It was approved at a general meeting of Lloyd's underwriting members on November 8.

Lloyd's announcement of the working party follows hard on the heels of public criticism over its internal inquiry into the Savonita claims affair.

Last night, Lloyd's said: "In the near future, the chairman of Lloyd's plans to announce the name of the chairman of the working party, who will be a distinguished public figure.

"The detailed terms of reference and the composition of the working party will be announced in due course."

Mr. Aitken commented: "It is a most welcome step forward. I am meeting the chairman of Lloyd's in the New Year to discuss my views on self-regulation of the market."

Continued from Page 1

Italy

seemingly unsurmountable dilemma.

Sig. Andreotti clearly felt that he could not go against his own party, especially in view of the vociferous group of Christian Democrat deputies openly accusing him of backing down to pressure from the Communists.

Parliament is expected to endorse the Government's decision thanks to support from the Christian Democrats, the Republicans, the Social Democrats and other smaller parties such as the Liberals and the National Democrats.

However, a Communist decision to vote against the Government and the abstention of the Socialists, who between them account for 44 per cent of the electorate, would effectively represent the break up of the parliamentary majority supporting the Andreotti administraion.

Giles Merritt writes from Luxembourg: Doubts over whether Italy has been promised economic aid as a condition of joining EMS arose in Luxembourg yesterday after a senior West German Finance Ministry official denied any fresh offers by Bonn.

Dr. Manfred Lahnstein, who was one of the chief negotiators of the plan to transfer resources to Italy, Ireland and the UK as a precondition of EMS membership, told reporters at the European Parliament that the Italian Government had received no West German commitment of financial support.

While he welcomed Italy's decision to join EMS, he said that not a single additional concession had been promised.

Continued from Page 1

Guadeloupe

The decision to allow President Giscard d'Estaing the prestige of convening the talks was facilitated by his suggestion of an informal meeting of a small number of Western leaders to discuss economic issues.

He made the proposal during the seven-nation economic summit in Bonn last July.

Economic policy will not be excluded from the Guadeloupe talks, but the main emphasis will be on defence and foreign policies.

Inseparable from any discussion of SALT 3 is the question of whether, and if so, how far to strengthen existing nuclear forces in Western Europe in response to the growing threat of new Soviet nuclear weapons.

West Germany is especially alarmed by the increasing power of intermediate range Soviet systems like the SS-20 missile and the Backfire bomber.

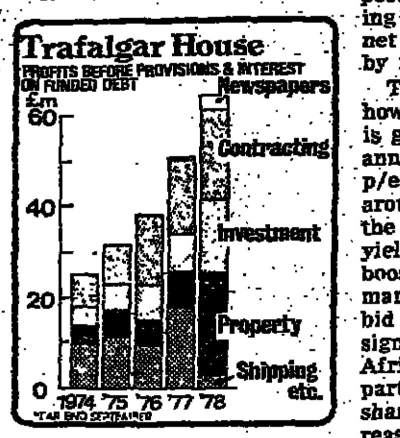
President Carter and his European allies will want to avoid a repetition of the furore over the neutron bomb if they decide to balance the Russian threat by introducing new nuclear weapons into Western Europe.

Guadeloupe will provide the four leaders with an opportunity to discuss the problem at political level before more technical discussions at a meeting of NATO's Nuclear Planning Group in Florida in April.

THE LEX COLUMN

Changing pattern at Trafalgar

Index fell 6.9 to 485.4



At £60.6m pre-tax against £46.4m Trafalgar House's profits emerge rather higher than the market has been expecting, but only with a certain amount of help from special items. Although there has been no second half item to rival hte £15m surplus on the Billiter Building and Leadenhall House sales of the first six months, there has been a £3.9m profit on the disposal of the Savoy Hotel stake. This has been taken above the line, although a £2.6m loss which arose on the same shares when they were bed-and-breakfasted in 1974-75 was treated as extraordinary: since then the shares have ben reclassified as current assets.

Elsewhere the underlying trading performance has been variable. The construction side has continued to make steady progress, raising its contribution after notional central interest charges by a fifth to £20.3m. In the new publications division, Beaverbrook has turned round into the black and with Morgan-Grampian performing strongly the divisional contribution is £3.2m (plus about the same again of interest charges which turn up in Trafalgar's investment income). The shipping side has been disappointing, however. The weakness of the dollar has pushed the fruit carriers into the red, and container shipping earnings have been affected by labour troubles in Australia and poor cargoes on the U.S.-Europe route. Overall, the shipping and hotels division has only produced a modest recovery from the losses of the first six months, and the full year's contribution is down from £17.7m to £3m.

For the current year, Trafalgar will be relying heavily on the construction side, for which prospects look fair. Further progress is being achieved in publishing (though the outlook for the Daily Star remains an open question and several smallish property sales are in the offing. But whether the group can keep up its growth record will depend above all on whether it can grapple successfully with the continuing problems in shipping—already it has sold all its six bulk carriers. Up to 1p to 127p the shares yield 6.9 per cent covered 4.1 times.

Currencies

So far, the luck of the Irish seems to have held, despite their disappointment over that elusive £650m. Currencies seem to be performing in inverse proportion to their chances of going into the EMS.

With the Norwegian crown firming slightly against the mark, sterling touched a seven-month trade-weighted high yesterday, and the Italian lira immediately weakened on the news that Italy after all may be prepared to join the system next month. The trouble in Iran is unsettling the foreign exchange market badly and fairly substantial central bank support, bearing in mind the thinness of the December market, has been necessary to hold the dollar steady. Meanwhile, the strength of sterling will be making British finance directors uncomfortable as December 31 draws nearer.

Standard Chartered

An increase of just 8 per cent to £67.2m in Standard Chartered's interim profits understates the momentum in important areas of its business. The profits gain would have been 17 per cent but for the rise of sterling, and territories like the Far east—which accounts for roughly a third of the group's business—and Africa have managed considerably more than that. Profits in South Africa are 30 per cent higher in local currency terms.

Europe, however, has been relatively dull, apart from the consumer credit side. There has not been much buoyancy in sterling money market operations, and margins have narrowed on trade finance business.

Meanwhile the acquisition of Union Bancorp of California, which will significantly change Standard's operating profile, is proceeding on schedule. If all goes well, the deal could be completed by mid-March next year, in which case the acquisition will be consolidated into 1979's accounts (Standard is currently switching to a calendar year reporting basis). Union is performing well in profits terms, with net income after nine months up by more than a half to $20.1m.

The big question is still about how—and when—the purchase is going to be financed. On an annualised basis, the prospective p/e at 426p is less than 5, around half a point less than the clearers, and a dividend yield of 7½ per cent could be boosted by any approach to the market for funds. If the U.S. bid comes off, the group will significantly dilute its South African interests—which at least partly explain its relatively low share price. And if for any reason it does not, no-one will have to worry about a rights issue any more.

Thos. Borthwick

Worst market fears about Borthwick's results were not realised yesterday. Instead the company turned in pre-tax profits of £6.2m, little changed on the £6.4m of 1976-77. To add to the relief there is no change in the dividend payout despite the Board's warnings six months ago. Having said all this, 1977-78 has by no means been a good year for Borthwick. The big problem area has been New Zealand, and the meat processing business in particular. Here labour troubles left Borthwick with losses of the order of £2¼m. The only consolation for Borthwick has been the firm price for lamb, particularly in the UK, the company's main market.

Beef processing has been far less affected by adverse conditions, and the international side of the business had a good year. The same applies to the flavours and essences division, and the French and English retail butchering shops. But the real excitement hinges on how well Borthwick can take advantage of the increase in U.S. and Japanese import quotas for beef in the current year. Sales in the U.S., for example, could go ahead as much as 20 per cent. In contrast, though the NZ labour picture is improving, Borthwick is not too optimistic about UK lamb prices this spring. Nevertheless the recovery potential is substantial and prospective pre-tax profits could be of the order of £10m. This would give a p/e of less than 5 on a 33 per cent tax charge. The yield is 12½ per cent.

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